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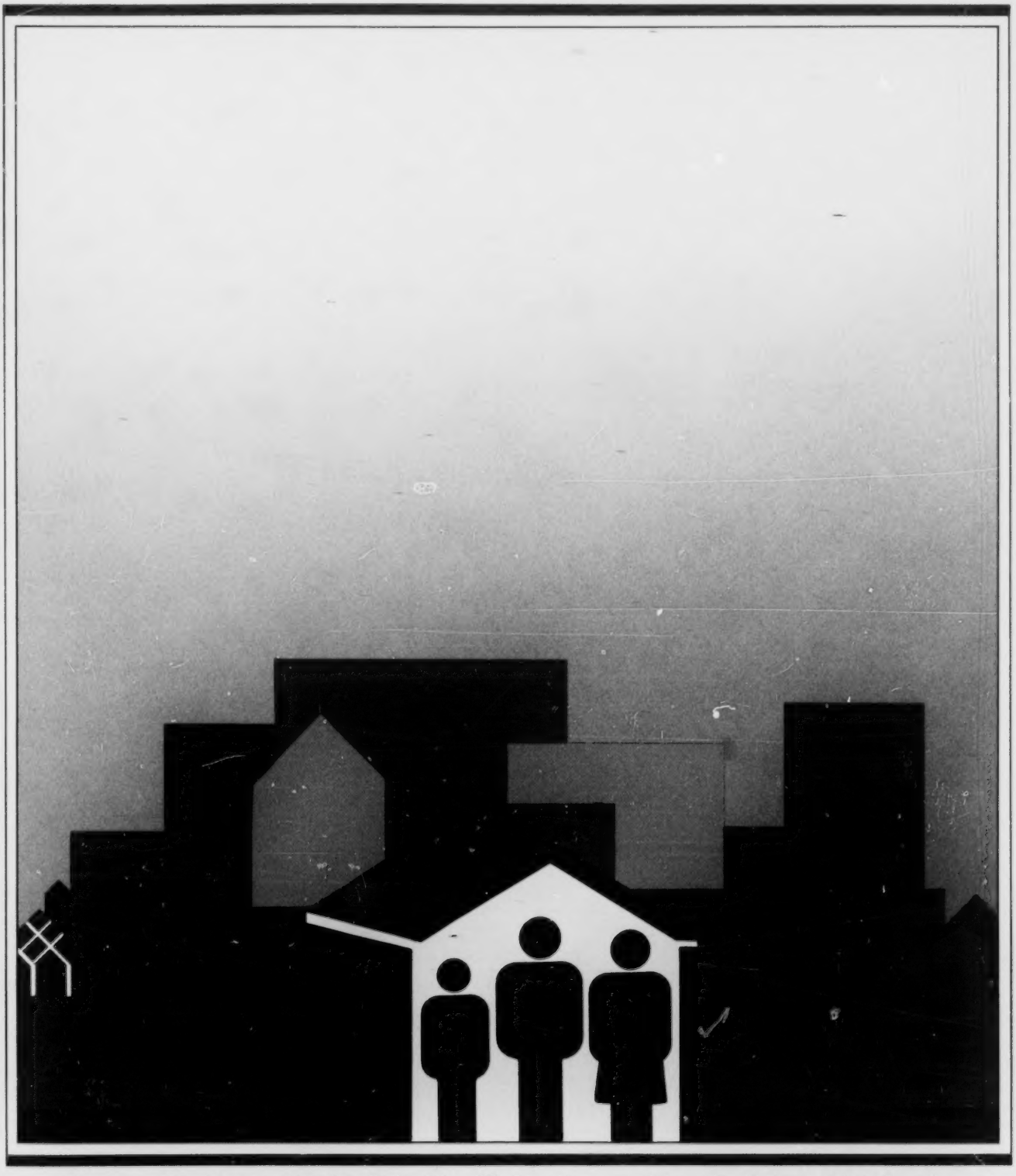
A PLACE TO CALL HOME

The Low Income Housing Crisis Continues



Center on Budget and Policy Priorities ■ Low Income Housing Information Service

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The Low Income Housing Crisis Continues

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Center on Budget
and Policy Priorities
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The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a nonprofit, tax-exempt organization that studies government spending and the programs and public policy issues that have an impact on low income Americans. The Center is supported by foundations, individual contributors, and publications sales.

The Low Income Housing Information Service, like the Center, is a nonpartisan, nonprofit research and education organization. It provides information and assistance to encourage the availability of decent and affordable housing for low income people.

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Preface

This report on the nation's low income housing conditions is issued jointly by the Center on Budget and Policy Priorities and the Low Income Housing Information Service. The report is based on data from the *American Housing Survey for the United States in 1989*, which was published in 1991. The American Housing Survey is the principal source of housing data collected by the federal government and is published by the Bureau of the Census of the U.S. Department of Commerce and the Office of Policy Development and Research of the U.S. Department of Housing and Urban Development.

The AHS provides a wealth of data on the housing conditions of American households. The survey includes vacant, owner-occupied, and renter-occupied housing units. The AHS provides data on various characteristics of the housing stock. Most important for this report, the AHS data allow for the analysis of the housing conditions of households at various income levels, including those with incomes below the federal poverty line.

In addition to the AHS data, this report builds upon earlier analyses by the Low Income Housing Information Service and the Center on Budget and Policy Priorities. The report also incorporates data from other sources, including the Census Bureau's Current Population Survey, federal budget documents, HUD publications, and a variety of other state and federal documents.

Acknowledgments

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The authors claim sole responsibility for the analysis herein and any errors that may remain.

Executive Summary

Between 1970 and 1983, the shortage of affordable housing for low income households grew sharply. This stemmed principally from two developments. First, the supply of low rent housing diminished markedly. Second, during the latter part of this period, the number of people living in poverty increased as the nation experienced high inflation followed by back-to-back recessions. As a result, low income households faced rising housing costs that consumed ever larger portions of their income.

After 1983, the nation's economic fortunes improved. Seven years of growth ensued, representing the longest peacetime economic expansion since the end of World War II. Despite the lengthy economic recovery, however, the housing problems of poor households failed to ease. The shortage of affordable rental housing was as wide at the peak of the recovery as at its start.

According to data from the American Housing Survey, in 1989 there were fewer low cost rental housing units — those for which rent and utility costs are less than $250 a month as measured in 1989 dollars — than at any point in the previous 20 years.

- In 1970, there were 6.8 million rental units with housing costs of $250 or less a month.
- By 1983, the number of low cost units had declined to 5.9 million.
- In 1989, there were 5.5 million rental units with costs of $250 or less.

While the supply of low cost rental housing declined, the number of low income households in need of affordable housing increased. The poverty rate in 1989 — 12.8 percent — was higher than in any year of the 1970s, including the deepest recession years of that decade. (The poverty line varies by household size; for a three-person household, it was $9,885 in 1989.)

Widening Gap Between Supply and Demand for Low Rent Housing

As a result, the gap between the number of low income renter households and the number of low rent units was as wide in 1989 as in 1983 — and much wider than at any point in the 1970s. Low income households are defined here as those with incomes of $10,000 or less, as measured in 1989 dollars. Low cost units are defined as those with rent and utility costs equal to or less than 30 percent of a $10,000 annual income — that is, less than $250 a month. All figures for years prior to 1989 are adjusted for inflation to be comparable with 1989 dollars.

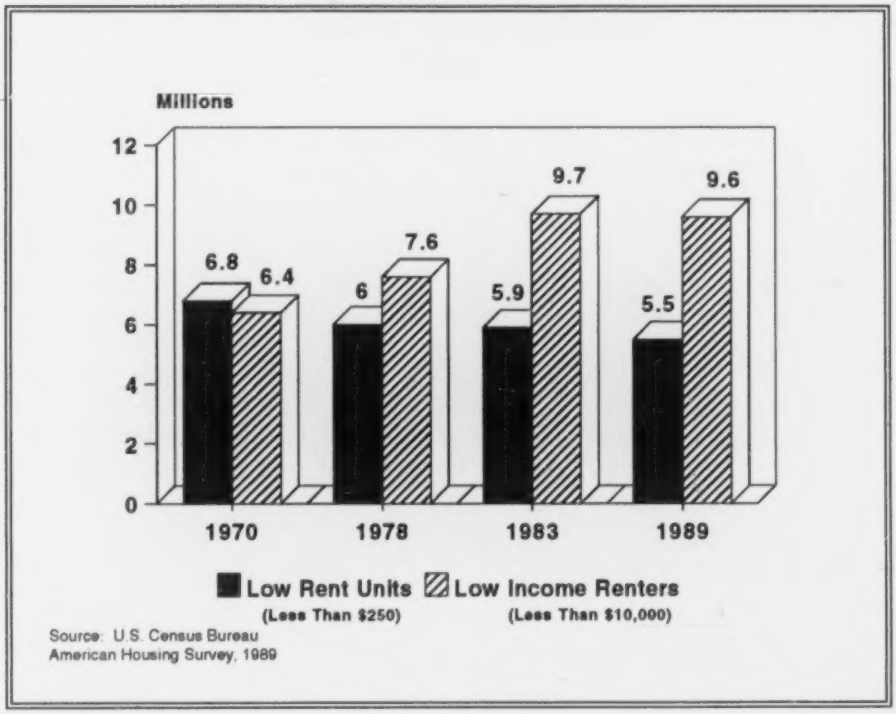
- In 1970, the number of low rent units — 6.8 million — was 400,000 *greater* than the number of low income renters, which stood at 6.4 million. (See Figure.)

- By 1983, there were 5.9 million low rent units and 9.7 million low income renters, a shortage of 3.9 million units.

- Between 1983 and 1989, the number of low income renters remained about the same, while the number of low rent units declined further. In 1989, there were 5.5 million low rent units, but 9.6 million low income renters. Despite seven years of economic growth, the affordable housing shortage — 4.1 million — was as wide as in 1983 and much wider than any year of the 1970s.

These data are of particular concern because the economy faltered in 1990 and entered a recession. Between 1989 and 1990, the poverty rate rose to 13.5 percent, as the number of people below the poverty line grew by more than two million. As a result, the shortage of affordable housing is likely to be even greater now than in 1989.

Rental Housing Shortage for Households
Earning $10,000 or Less, 1970-1989



Source: U.S. Census Bureau
American Housing Survey, 1989

Housing Cost Burdens on Poor Households

The growing shortage of affordable housing has squeezed many renters with incomes below the poverty line. In 1989, about three-fifths of all poor households were renters. Under standards established by HUD, housing is affordable for a low income household if it consumes no more than 30 percent of the household's income. Yet most poor renter households pay more than that.

- More than half of all poor renter households — 56 percent, or 3.5 million households — spent at least 50 percent of their income on rent and utilities in 1989.

- More than four of every five poor renter households — 81 percent, or 5.1 million households — spent at least 30 percent of their income on rent and utilities.

Of the 7.5 million poor renter households in 1989, a little more than one-third — 2.7 million — received housing assistance from the federal government or a state or local government. The remaining 4.8 million poor renter households generally

Loss of Low Rent Housing in the Private Market

The declining supply of low rent housing stems from a significant decline in the number of low rent housing units available in the private market. In 1973, the first year for which such data are available, there were approximately 4.8 million unsubsidized units with costs of $250 a month or less. By 1989, the number of unsubsidized low rent units had dropped to 2.8 million, a decline of 41 percent.

A number of factors contributed to the sharp decline in the number of private low rent units. Among them are the abandonment of deteriorated units, gentrification of neighborhoods, the upgrading of low rent units into higher priced rental units, the conversion of low rent units into condominiums, and increases in energy costs.

paid the full costs of housing in the private market and thus bore extremely high housing cost burdens. Nearly three of four unsubsidized poor renters — 74 percent — spent more than half their income on housing in 1989.

These high housing cost burdens place many poor renters at risk of homelessness. Households that pay extremely large percentages of their limited incomes for housing could face substantial difficulty in continuing to pay rent and utility bills should a disruption in income or a large unexpected expense, such as a sizable medical bill, occur.

The problem of housing affordability is not limited to poor renters. Poor homeowners also bear significant housing cost burdens. More than two of every five poor homeowners spent a minimum of 50 percent of income on housing costs in 1989. More than two of every three — 69 percent, or 2.8 million poor homeowners — spent 30 percent or more of income on housing costs.

Affordable Housing Shortage Is Nationwide

The housing affordability crisis for the poor is pervasive: it is not limited to one part of the nation or to members of a particular racial or ethnic minority. Roughly half of all poor White, Black, and Hispanic households alike spent at least 50 percent of their income on housing costs in 1989.

Problems in housing affordability affect poor households in both nonmetropolitan and metropolitan areas. (Metropolitan areas include both central city and suburban areas.) In 1989, some 65 percent of poor households in nonmetro areas spent at least 30 percent of their income on housing. Some 81 percent of poor

central city households and 80 percent of poor suburban households spent this much.

In addition, a significant shortage of affordable housing exists in every region of the United States. In each, the number of low income renter households substantially exceeds the number of low rent units by more than one million units.

Housing problems are serious for low income households that work, as well as for households that lack employment. The median rent and utility costs for poor renters was $281 a month in 1989. For a family with a full-time minimum wage worker in 1989 and no other income, $281 would have consumed half of the family's monthly income.

Deficient and Overcrowded Housing

Not only do poor households bear high housing cost burdens, but substantial numbers of them live in housing that is deficient or overcrowded.

- In 1989, some 18 percent of all poor households lived in housing with moderate or severe physical problems. Some 2.2 million poor households lived in these conditions.

- By contrast, seven percent of *non*-poor households lived in housing with these problems. Poor households were thus more than twice as likely as non-poor households to live in deficient units.

By other measures as well, poor households were more likely to live in housing units with deficiencies. Although poor households constituted only 13 percent of all households in the nation, they occupied 24 percent of the units with severe physical problems, 36 percent of the units with holes in the floor, 33 percent of the units with evidence of rats, and 32 percent of the units lacking kitchen facilities such as a stove or a refrigerator.

Poor households are also more than three times as likely as non-poor households to live in overcrowded conditions. (A housing unit is considered overcrowded if it houses more than one person per room.) In 1989, eight percent of poor households — approximately one million such households — lived in overcrowded quarters.

Most Poor Households Not Aided by Government Housing Subsidies

For most poor households burdened by high housing costs, government housing assistance is not available. Only a little more than one of every three poor renter households — 36 percent — received a rental subsidy from a federal, state, or local housing assistance program or lived in public housing in 1989. Some 22 percent of *all* poor households — including both renters and homeowners — received a housing subsidy. Housing programs are not entitlements, and assistance is provided to only a small fraction of those eligible for housing aid. The number of eligible households that receive assistance is limited by the amount Congress appropriates each year for the housing programs.

Consequently, applicants are often put on waiting lists and typically wait months or years before receiving housing assistance. Data from a survey conducted by the National Association of Housing and Redevelopment Officials indicate that *more than one million households* were on waiting lists for public housing at the end of 1988. About 800,000 households were on waiting lists for privately owned subsidized housing. The need for assistance so far outstrips what is available that many housing authorities have closed their waiting lists and no longer accept applications for aid.

Large Reductions in Funding for Federal Housing Programs

The federal commitment to assist poor households with housing declined sharply during the 1980s. The number of low income renter households increased markedly, while the number of low rent units in the private market declined. As a result, the number of households assisted through government housing programs needed to rise substantially each year just to keep the affordable housing shortage from growing worse.

Appropriations for federal low income housing programs, however, were cut sharply in the 1980s. The reductions reflected, in part, a dramatic drop in the number of commitments made each year to extend housing subsidies to low income families lacking such assistance.

- From fiscal year 1977 through fiscal year 1980, HUD made commitments to provide rental assistance to an average of 290,000 additional low income households each year. From fiscal year 1981 through fiscal year 1991, however, the number of additional housing commitments dropped to an average of 78,000 per year, a reduction of nearly three-fourths. Had the number of additional housing commitments remained at the same level from 1981 through 1991 as in the late 1970s, some 2.3 million

more low income households would be receiving housing assistance today.

- Retrenchment also occurred in the rural housing programs of the Farmers Home Administration. The average number of additional homebuyers helped each year in these programs was cut by more than half between the late 1970s and the 1980s.

The steep decline in new federal housing commitments in the 1980s occurred amid substantial growth in the number of poor households and substantial contraction in the privately owned stock of low rent housing. As a result, the number of poor households lacking housing assistance increased. In 1978, some 4.5 million poor renter households received no housing assistance. By 1989, this number had grown to 4.8 million.

In contrast to the retrenchment in federal low income housing assistance, there has been a marked increase in housing subsidies that primarily benefit middle and upper income families. Each year the federal government provides billions of dollars in benefits to homeowners by allowing them deductions — primarily mortgage interest and property tax deductions — from the amount of income that is otherwise taxable by the federal government. Subsidies such as these that result from tax deductions, credits, or other tax breaks are termed "tax expenditures."

In fiscal year 1990, direct spending on federal low income housing assistance programs totalled $18.3 billion. But federal tax expenditures for housing amounted to $78.4 billion, or more than four times as much. The bulk of these tax expenditures go to households high on the income scale. For example, 81 percent of the tax benefits from the deductibility of interest on home mortgages goes to the top 20 percent of all households.

The National Affordable Housing Act of 1990

In 1990, Congress passed the National Affordable Housing Act, which seeks to revitalize efforts to meet the nation's low income housing needs.

The Act's centerpiece is the HOME Investment Partnership program, which provides grants to states and localities to design and operate a variety of rental and homeownership programs. In addition, the Act reserves a portion of HOME funds for community-based nonprofit housing groups, in recognition of the growing role they play in developing affordable housing. This flexibility represents a break from the tradition of strictly defined housing programs that are uniform throughout the nation.

States and localities receiving HOME funds must prepare a document, the Comprehensive Housing Affordability Strategy, outlining housing needs and plans. The Act requires community involvement in preparing the CHAS, which offers citizens an opportunity to influence housing priorities.

The Act includes several initiatives designed to facilitate homeownership among low income people. One of them is the Homeownership Opportunities for People Everywhere program, or HOPE. This program finances the sale of public housing and other federal properties, such as those acquired through the S&L bailout, to low income families, in particular public housing tenants. While homeownership should be an important part of federal housing policy, some observers have expressed doubt about the ability of very low income families to move directly into homeownership.

In addition, the Act includes provisions to preserve thousands of units of privately owned subsidized housing whose owners might otherwise convert the property to other uses. The Act requires most owners to accept financial incentives to remain in the subsidy program or to sell the project to someone willing to maintain it as affordable housing.

The Act also contains provisions designed to link housing assistance with job training, day care, education, and other social services.

While these initiatives present promising opportunities, the funding authorized is insufficient to address the mismatch between the incomes and the housing costs of millions of very low income renters. The Act generally fails to authorize sufficient funding to make more than a modest yearly dent in the housing assistance needs of these households. Furthermore, there are several low income housing issues the Act does not or could not address.

Moreover, some of the new programs authorized by the Act probably will compete for funds with existing low income housing programs. With increased needs for funds to preserve and repair existing subsidized housing — and with the HOME and HOPE programs making a claim on funds — existing programs to extend housing assistance to very low income households now lacking assistance could suffer. The competition for resources among various low income housing programs is likely to be especially intense over the next several years.

Other Assistance Fails to Meet Needs

The proportion of poor households that receive *cash* assistance is considerably larger than the fraction receiving *housing* assistance. Cash benefits for the poor,

however, are inadequate to meet the housing costs and other basic needs of program beneficiaries.

An example is Aid to Families with Dependent Children, or AFDC, the primary cash assistance program for poor families with children. Each state determines the level of benefits it provides, with funding for the program shared by the federal and state governments.

- In 44 states and the District of Columbia, the average cost of a modest two-bedroom apartment in 1991, as reflected by HUD's Fair Market Rent, is greater than the entire AFDC benefit for a family of three with no other income.

- In 33 states and the District of Columbia, the Fair Market Rent for a two-bedroom apartment also exceeds the entire AFDC benefit for a family of *four*.

One reason AFDC benefits typically fall so far below Fair Market Rents is that in most states these benefits have been reduced sharply in purchasing power over the past two decades while rents have increased. In the median state, the maximum AFDC benefit for a family of three with no other income fell 42 percent between 1970 and 1991, after adjusting for inflation. AFDC benefits have eroded so sharply that the value of AFDC and food stamp benefits *combined*, averaged across all states, is now about the same as the value of AFDC benefits *alone* in 1960, before the food stamp program was created.

In response to fiscal problems, many states froze or cut AFDC or other cash assistance benefits for 1992. As a result, public assistance recipients will face even more serious problems finding decent and affordable housing.

In particular, a number of states sharply reduced their General Assistance or GA programs, which provide aid to some very poor individuals who do not qualify for federal cash assistance. Some states have eliminated benefits entirely for certain groups of recipients, while others have limited the months an eligible person can receive benefits or have reduced benefit levels. Individuals who are removed from a GA program or who face a substantial benefit cut are often at risk of becoming homeless, since many have no source of cash income other than their GA benefits.

Housing Problems of Black and Hispanic Households

Black and Hispanic households face particularly severe housing problems. They are more likely to have excessive housing cost burdens and to live in crowded or deficient housing than are White households.

In 1989, some 39 percent of *all* Black households and 42 percent of all Hispanic households — including both poor and non-poor households — paid at least 30 percent of their income for housing. Some 25 percent of White households had housing costs of this magnitude.

Black and Hispanic households face higher housing cost burdens, in large part, because Blacks and Hispanics are much more likely than Whites to be poor and thus to bear the high housing cost burdens associated with poverty. In 1989, some 30 percent of Black households and 22 percent of Hispanic households were poor. Some 10 percent of White households had income below the poverty line. Nevertheless, the housing cost burdens faced by *poor* White households are just as severe as those faced by *poor* Blacks and Hispanics.

In addition to paying a large proportion of their income for housing, Black and Hispanic households are also troubled by deficient and overcrowded housing conditions.

- Some 29 percent of poor Black households lived in deficient housing in 1989, as did 23 percent of poor Hispanic households. By comparison, 13 percent of poor White households lived in such conditions.

- While Blacks and Hispanics constituted 18 percent of all households, they occupied 37 percent of all deficient housing units, 46 percent of the units with holes in the floor, and 54 percent of the units with rats.

- Overcrowding is particularly severe among Hispanics. More than one in every four poor Hispanic households — 26 percent — lived in overcrowded quarters in 1989. Some nine percent of poor Black households lived in such conditions, as did four percent of poor Whites.

* * * * * *

A housing crisis confronts the nation; for most poor households, affordable housing is extremely difficult to find. Furthermore, with the economy weakened, the low income housing crisis is becoming even more severe. The housing squeeze that faces low income households is unlikely to abate without substantial increases in federal funding for low income housing initiatives and greater activity on the part of state and local governments and the private and nonprofit sectors.

I. The Housing Affordability Crisis Facing Poor Households

Between 1970 and 1983, the shortage of affordable housing for poor households grew sharply. This stemmed from two developments. First, the supply of low rent housing diminished markedly. Second, the number of people living in poverty increased during the latter part of this period, as the nation experienced high inflation followed by back-to-back recessions. As a result of these developments, poor households faced rising housing costs that consumed ever larger portions of their income.

After 1983, the nation's economic fortunes improved. Seven years of growth ensued, representing the longest peacetime economic expansion since the end of World War II. Despite the lengthy recovery, however, the housing problems of poor households failed to ease. The shortage of affordable housing was as wide at the peak of the recovery as at its start.

According to data from the recently released American Housing Survey for 1989, there were *fewer* affordable housing units in 1989 than at any point in the previous 20 years. In addition, the shortage of affordable housing units — measured as the gap between the number of low income renter households and the number of rental units affordable to those households — was as wide in 1989 as in 1983 and much wider than in the 1970s.

As a result, most poor households today face housing costs that are far outside the affordable range. In 1989, some 12 million households — including more than 31

million people — were poor.[1] Under the American Housing Survey a "household" consists of all people living together in a housing unit; these people may or may not be related. Under standards set by federal law, housing is considered affordable if it consumes no more than 30 percent of a household's adjusted income.[2] By this standard, *three of every four* poor households in the United States were unable to find affordable housing in 1989. Furthermore, more than half of the nation's poor households spent at least 50 percent of income on housing that year.

These data are of particular concern because the economic recovery faltered in 1990, and the nation entered a recession. Between 1989 and 1990, the poverty rate rose from 12.8 percent to 13.5 percent, as the number of people below the poverty line grew by more than two million. Because the unemployment rate throughout 1991 has been much higher than in 1990, it is likely poverty has continued to grow since 1990. And while the economic downturn may end soon, the recovery is expected to be slow. The Bush Administration's most recent economic forecast, from July 1991, predicts that the national unemployment rate will not return to its 1989 level until 1995.

The Causes of the Low Rent Housing Shortage

In 1989, about three-fifths of all poor households were renters. The affordable housing squeeze for these households has worsened in recent years largely because the stock of affordable rental housing has contracted while the number of poor households in need of such housing has increased.

While the total number of rental units has grown since 1970, the number of *low cost* rental units — those for which rent and utility costs are less than $250 a month, as measured in 1989 dollars — has declined substantially.

- In 1970, there were 6.8 million rental units with housing costs of $250 or less a month.[3]

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[1]The poverty line varies by household size; for a three-person household, it was $9,885 in 1989.

[2]Until 1981, the housing affordability standard was 25 percent of adjusted household income. This standard was raised to 30 percent in conjunction with federal budget reductions enacted in 1981. Adjustments in household income include deductions for dependent children, handicapped or elderly family members, and excessive health or child care costs. The housing cost burden figures published in the American Housing Survey are based on unadjusted income data.

[3]All figures are adjusted for inflation to be comparable with 1989 dollars. For years prior to 1983, these adjustments are made using the Consumer Price Index experimental series for urban wage earners (CPI-X), rather

(continued...)

- By 1983, the number of low cost units had declined to 5.9 million.

- Between 1983 and 1989, there was a further decline, to 5.5 million rental units with costs of $250 or less.[4]

Moreover, in 1970, some 29 percent of all rental units had monthly housing costs in the $250-or-less range. By 1989, only about one in six rental units — 16 percent — had costs this low.

While the rental housing stock has been shifting towards units of higher cost, the number of low income households in need of affordable housing has increased. Data from the Census Bureau indicate that poverty was much more extensive in the 1980s than in the 1970s.

- Despite seven years of economic recovery, the poverty rate in 1989 — 12.8 percent — was higher than in any year of the 1970s, including the deepest recession years of that decade.

- In 1989, some 31.5 million people had incomes below the poverty line. This figure is more than five million greater than the number of poor people in any year of the 1970s.[5]

- Between 1978 and 1989, the number of poor renter households increased by 1.5 million, from six million to 7.5 million. This represents an increase of 24 percent. (1978 is the first year for which data on the number of poor renter households is available.)

Widening Gap Between Supply and Demand for Low Income Rental Housing

As a result of these two factors, the gap between the number of low income renters and the number of rental units affordable to these households was as wide in 1989 as in 1983 and much wider than at any point in the 1970s. Low income households are defined here as those with incomes of $10,000 or less, measured in

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[3](...continued)

than the official Consumer Price Index (CPI-U). Prior to 1983, the CPI-U overstated inflation due to an overestimation of increases in housing costs. The CPI-X corrects for this problem. Since 1983, the CPI-U has incorporated the methodology of the CPI-X.

[4]For information regarding methodological issues on the AHS housing costs data, see Appendix.

[5]These figures are from the Census Bureau's primary income survey, the Current Population Survey. Data from the CPS are used to determine the official poverty rate for each year.

1989 dollars. This income level is roughly equal to the poverty line for a family of three, which stood at $9,885 in 1989.[6] Low cost units are defined as those for which rent and utility costs equal less than 30 percent of a $10,000 annual income — that is, less than $250 a month.[7] All figures for years prior to 1989 are adjusted for inflation to be comparable with 1989 dollars.

- In 1970, the number of low rent units — 6.8 million — was approximately 400,000 *greater* than the number of low income renters, which stood at 6.4 million. (See Figure 1.)

- Between 1970 and 1978, the number of low income renters increased while the number of low rent units declined. By 1978, there were 7.6 million low income renters, but only six million low rent units, a shortage of 1.6 million units.

- The shortage of low rent units grew more quickly during the next five years, as the nation weathered high inflation and two recessions. These economic downturns resulted in a significant increase in the number of low income renter households. At the same time, the supply of low rent housing remained stable. By 1983, there was a deficit of 3.9 million low rent units.

- Between 1983 and 1989, the number of low income renters remained about the same while the number of low rent units continued to fall. In 1989, there were 5.5 million low rent units, but 9.6 million low income renters. Despite years of economic growth, the gap between the number of low income renters and the number of apartments affordable to these households — 4.1 million — was just as wide as in 1983.[8]

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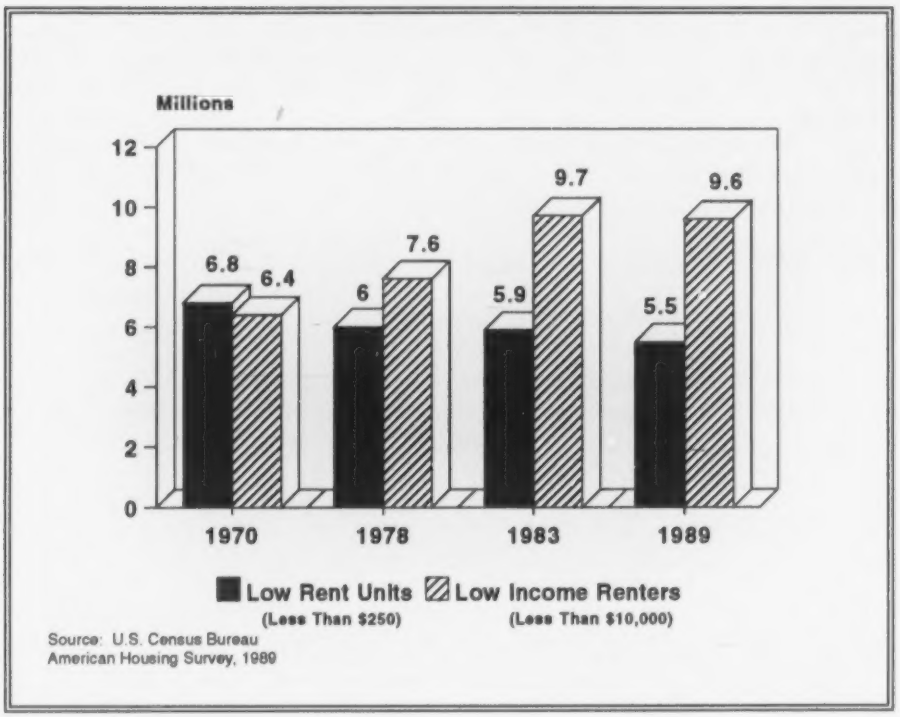
[6]This differs from the definition of "low income households" used in determining eligibility for HUD housing programs. The HUD definition provides a set of income limits that vary by household size and geographic area. The published data from the American Housing Survey do not allow examination of the number of units affordable for low income households under the HUD definition.

The definition also differs from the federal poverty line, which varies by family size. A comparison of the housing costs of poor households cannot be made for years prior to 1978, as this is the first year for which AHS data on poor households are available.

[7]Not all households with incomes below $10,000 could afford any unit with a rent of less than $250 a month. For example, a household with an income of $6,000 would have to spend 40 percent of income — well above the 30 percent affordability standard — for a unit with costs of just $200 a month.

[8]The difference between the affordable housing gaps in 1983 and 1989 is not statistically significant.

Figure 1
Rental Housing Shortage for Households
Earning $10,000 or Less, 1970-1989



With a growing number of poor households competing for a shrinking number of low cost units, it is not surprising that housing costs for poor households have increased. Census data indicate that poor renters were forced to pay higher rents in 1989 than in the late 1970s.

- In 1978, the first year for which these data are available, median housing costs among poor renters stood at $266 a month. (This figure is in 1989 dollars.) That is, half of all poor renters had rent and utility costs exceeding $266 a month, while the other half had housing costs below this level.

- By 1989, median housing costs for poor renters were $313 a month. This represented an increase of 19 percent, after adjusting for inflation.

Housing Cost Burdens on Poor Renters

The growing shortage of affordable housing has squeezed many renters with incomes below the poverty line, who now pay very substantial portions of their income for housing.

Loss of Low Rent Housing in the Private Market

The declining supply of low rent housing stems from a significant decline in the number of low rent housing units available in the private market. While the number of households receiving government housing assistance has grown since the 1970s, thereby adding to the low rent housing stock, these increases have been more than offset by contraction in the private low rent housing stock. As a result, the overall supply of low rent units — including both subsidized and unsubsidized units — declined significantly during the 1970s and 1980s, falling in 1989 to its lowest level in two decades.

In 1973, the first year for which such data are available, there were approximately 4.8 million unsubsidized units with costs of $250 a month or less. By 1989, the number of unsubsidized low rent units had dropped to 2.8 million, a decline of 41 percent.*

A number of factors are likely to have contributed to the sharp decline in the number of private low rent units. Among them are the abandonment of deteriorated units, gentrification of neighborhoods, the upgrading of low rent units into higher priced rental units, the conversion of low rent units into condominiums, and increases in energy costs. In addition, some low cost units in the private market became subsidized units during this period under one of the federal programs providing subsidies to low income renters living in privately owned units.

* It is likely that the decline in the number of low cost units was even greater than these figures indicate. See Appendix.

- More than half of all poor renter households — 56 percent, or 3.5 million households — spent at least 50 percent of their income on rent and utilities in 1989.[9]

- More than four of every five such households — 81 percent, or 5.1 million poor households — spent at least 30 percent of their income on rent and utilities.[10]

[9]The Census Bureau report includes a number of renters who reported they paid no cash rent or had zero or negative income. These households are not included in Census calculations of housing costs as a percentage of income. To be consistent with the Census report, these households are excluded in similar calculations in this report.

[10]The American Housing Survey data show that a substantial proportion of poor renters spend an extremely large percentage of income on housing. For example, the data show that 39 percent of poor renter households — some three million households — spent 70 percent or more of their income on housing in 1989. At the same time, there are indications that housing cost burdens are overstated for some poor households. See box on page 10 for further information.

The poor renter households that do not receive any housing assistance benefits are those most likely to face high housing cost burdens. Of 7.5 million poor renter households in 1989, only a little more than one-third — 2.7 million — received housing assistance from the federal government or a state or local government. The remaining 4.8 million poor renter households generally paid the full costs of housing in the private market. The overwhelming majority of these households spent extremely large proportions of their income on housing.

- In 1989, nearly three of every four unsubsidized poor renters — 74 percent — spent at least half of their income on housing.

- Nearly all poor renters without housing assistance — 93 percent — spent more than 30 percent of income on housing, thereby exceeding the federal housing affordability standard.

As a result of these high housing cost burdens, many poor households could be considered at risk of homelessness. These are households that pay very large percentages of their limited incomes for housing and could face substantial difficulties in continuing to pay rent and utility bills if a disruption or large drop in income, or a large unexpected expense such as a sizable medical bill, occurs.

Those Eligible For HUD Assistance Face Serious Problems

Federal low income housing assistance is targeted principally on "very low income" households, defined as renters whose incomes are less than half the median household income in their area.[11] HUD determines median household income for every metropolitan area in the nation and for every nonmetropolitan county.[12]

If these "very low income" renter households are examined — rather than renters with incomes below the poverty line — the number of renter households facing serious housing problems is even greater than the numbers cited above.

The income levels below which a household is considered to have "very low income" vary from area to area, but generally exceed the poverty line. Nationally,

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[11]HUD programs are also targeted on "low income" households, defined as households whose incomes fall between 50 percent and 80 percent of the median household income in the area. Current federal housing legislation requires, however, that a majority of new housing assistance be provided to very low income households.

[12]The median income represents the midpoint of the income distribution. Thus, half of all households have income above the median, while the other half have income below the median.

the poverty line for a given household size is about 35 percent of the median income for households of that size. "Very low income" households are those with incomes below 50 percent of median household income in their area.

Thus, there are more "very low income" renter households than there are poor renter households. In 1989, some 13.4 million renter households had income below 50 percent of the area median income. In comparison, 7.5 million renter households had income below the poverty line that year.[13]

A HUD report published in June 1991 examined the housing conditions of these very low income renters.[14] The report identified the number of renters with "worst case" housing needs, defined by HUD as very low income renters who spend more than half of their income on housing or occupy severely substandard housing, or both. Such households are given priority for federal housing assistance.

- According to the HUD study, some 5.1 million very low income renter households had "worst case" housing problems in 1989. By comparison, some 4.2 million *poor* renter households had such problems that year. For both groups, high housing cost burdens, and not substandard conditions, are the predominant source of their "worst case" problems.[15]

- Some 9.2 million very low income renter households spent more than 30 percent of income on housing in 1989, while 5.1 million poor renter households had housing cost burdens this high.

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[13]Many households with incomes above the poverty line face housing affordability problems and thus are in need of housing assistance. In 48 states and the District of Columbia, for example, a family of three needs an income 50 percent higher than the poverty line to afford a modest two-bedroom apartment without spending more than 30 percent of its income on housing. These estimates are based on average metropolitan Fair Market Rents for each state. The Fair Market Rent is HUD's estimate of the cost of modest rental housing in each locality. For further information, see *Out of Reach: Why Everyday People Can't Find Affordable Housing*, Low Income Housing Information Service, 1991.

[14]U.S. Department of Housing and Urban Development, *Priority Housing Problems and "Worst Case" Needs in 1989*, June 1991, p. 7.

[15]The HUD report notes that the number of very low income renter families with "worst case" housing needs grew significantly between 1974 and 1985 but then declined from 1985 to 1989. According to the report, the number of families with "worst case" housing needs increased from 2.5 million in 1974 to four million in 1985 and then dropped to 3.6 million in 1989. These figures include only very low income renter households that are elderly or families with children. By contrast, the figure in the text refers to *all* very low income renter households, which include non-elderly single individuals and childless couples as well as elderly households and families with children. Data on all very low income renter households are not available for the full 1974-1989 period.

These figures indicate that the number of "very low income" renters facing housing affordability problems substantially exceeds the number of poor renters with these problems. Nevertheless, the HUD report notes that among very low income renter households, those with the lowest incomes have the most severe housing problems. Nearly four of every five renter households whose incomes fall below 25 percent of their area's median income have "worst case" housing needs, according to the HUD report. By contrast, less than half of the renters with incomes between 25 percent and 50 percent of the area median income have housing problems of this severity.

Housing Cost Burdens High for Poor Homeowners

The problem of housing affordability is not limited to poor renters. Poor homeowners also bear significant housing cost burdens.

- More than two of every five poor homeowners — 43 percent, or 1.8 million households — spent a minimum of 50 percent of income on housing costs in 1989.

- More than two of three poor homeowners — 69 percent, or 2.8 million households — spent 30 percent or more of income on housing costs. The median poor homeowner household spent 43 percent of income on housing costs.[16]

More than two-thirds of all poor homeowners had paid off their mortgages, a high percentage which reflects the fact that many poor homeowners are elderly people who have owned their homes for long periods. Nevertheless, a substantial number of poor homeowners who have paid off their mortgages still pay high proportions of their income for housing. This is due to the high costs many homeowners incur for utility bills and such expenses as property insurance, property taxes, and home maintenance.[17]

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[16]The Census Bureau report includes a number of homeowners who did not report the amount of their mortgage payment or who reported that they had zero or negative income. These households are excluded from Census calculations of housing costs as a percentage of income. To be consistent with the Census report, these households are excluded from similar calculations in this report.

[17]The AHS data on housing costs of poor homeowners do not reflect tax benefits provided to homeowners. Homeowners who have earnings sufficient to incur income tax liabilities can benefit from a deduction of property tax payments, and those homeowners who have not paid off their mortgages can receive some tax benefits from the mortgage interest deduction. Since passage of the Tax Reform Act of 1986, however, most poor households no longer owe federal income tax and thus do not benefit from these federal tax deductions.

How Severe Are Housing Cost Burdens?

The data presented here on the proportions of income that poor households spend on housing come from the American Housing Survey for 1989. As in most surveys, some of those sampled for the AHS underreport their income. For households whose incomes are higher than reported in the survey, the data presented here overstate the proportion of income spent on housing.

At the same time, the homeless were not included in the American Housing Survey. Thus, while the underreporting of income results in an overstatement of low income housing problems, the omission of the homeless has the opposite effect, resulting in some understatement of the affordable housing shortage.

Also, a poor household spending a very high percentage of income for housing, such as 75 percent, does not necessarily have only 25 percent of income available for other needs. Data from the Census Bureau's Consumer Expenditure Survey show that the average expenditures of poor households exceed their average income.

There are several likely explanations for this. First, a number of the households that are poor at any time have become poor only recently and expect to escape from poverty in the not-too-distant future. This includes people recently laid off. During their period of low income, such households often borrow money or use up savings and do not restrict their expenditures to their current incomes.

Second, some households may have low incomes for an extended period, but can spend more than their total income because they have accumulated savings. This is particularly true of some elderly people.

Third, some households appear to have expenditures that exceed their incomes because they underreported their incomes in the survey.

One particularly significant factor behind the gap between average expenditures and average income appears to be self-employed households that report zero or negative incomes because they have had a bad business year or high business expenses. Many of these households do not appear to have low incomes over a longer period of time. The expenditures of these households in a given year may be more consistent with their income over a longer period. The gap between expenditures and incomes is greatest for this group.

The problems presented by this last group of households do not affect the data on housing cost burdens presented here. Households with zero or negative income are excluded from the calculations.

When all of these factors are considered, the picture that remains is one of substantial numbers of poor households bearing high housing cost burdens. After weighing the strengths and weaknesses of the data from the American Housing Survey, the Joint Center for Housing Studies at Harvard University concluded "...there is little question that high payment burdens are a reality for a large number of poor households." The Joint Center also noted that "the rising housing cost burden of the poor is not a statistical artifact, but results from progressive tightening at the low end of the market."

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* William C. Apgar, Jr. et al, *The State of the Nation's Housing: 1990*, p. 21, and *The State of the Nation's Housing: 1989*, p. 18, The Joint Center for Housing Studies of Harvard University.

The Census data indicate that in 1989, median expenses for electricity, gas, property insurance, property taxes, and water bills totalled about $160 per month for poor homeowners incurring these costs. This equalled approximately 38 percent of the median income of poor homeowners.[18]

Many Moderate Income Households Pay High Housing Costs

Although the effects of the affordable housing shortage are harshest on poor households, many households with incomes above the poverty line also face substantial housing cost burdens. This is particularly true for many moderate income households, defined here as households with incomes in the $15,000 to $30,000 range.[19] In 1989, three of every 10 households in the United States were in this income bracket.

- Nearly one-third of all moderate income renter households — 32 percent — spent at least 30 percent of income for housing in 1989.

- Nearly one in five homeowners with incomes in this range — 19 percent — spent at least 30 percent of their income on housing costs.

But while many moderate income households face significant housing cost burdens, poor households continue to be much worse off.

- Only three percent of moderate income renters had housing costs that equalled or exceeded *half* of their income. Some 56 percent of poor renters bore costs of this magnitude.

- Similarly, four percent of moderate income homeowners spent at least half of their income on housing, while 43 percent of poor homeowners did.

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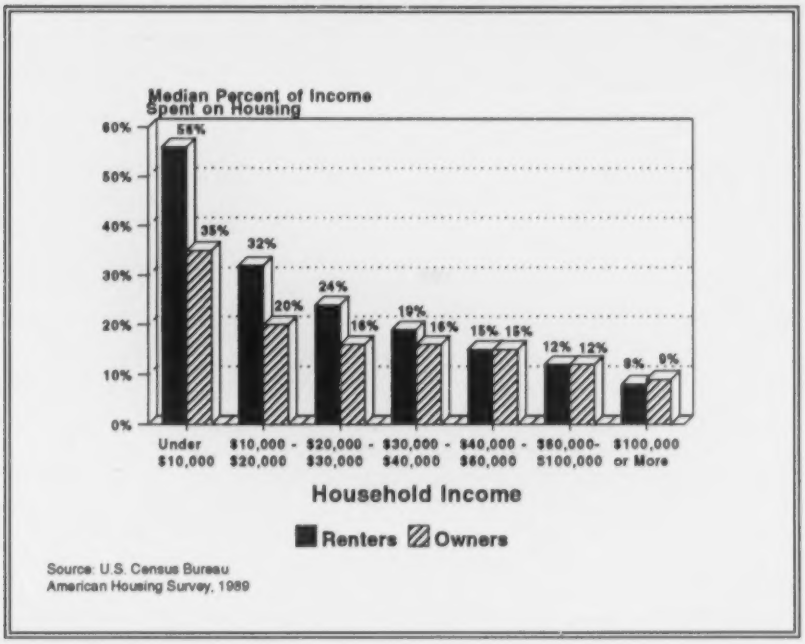
[18]The typical electric bill for poor homeowners with electric bills was $45 per month. Median monthly costs for other bills were: $38 for gas and $54 for fuel oil; $16 for water bills; $22 for property insurance; $27 for property taxes; and less than $25 for routine maintenance. All poor homeowners paid property taxes in 1987, while 94 percent paid separate electricity bills, 79 percent paid property insurance, 52 percent paid for gas, 13 percent paid for fuel oil, 57 percent paid water bills, and 93 percent had routine maintenance costs. The total figure cited in the text assumes that the typical poor homeowner incurring these costs spent $45 a month for electricity, $40 for gas or fuel oil, $22 for property insurance, $16 for water, $27 for property taxes, and $10 for routine maintenance.

[19]In this report, moderate income households are defined to include households whose incomes fall near the median income in the nation, which was $26,800 in 1989.

Figure 2
Percent of Income Spent on Housing By Income Level, 1989



Not surprisingly, housing cost burdens were lightest among those with the highest incomes. While most poor households and substantial numbers of moderate income households spent large portions of their incomes on housing, few higher income households did. Fewer than one percent of households with incomes above $100,000 — including both homeowners and renters — spent more than 30 percent of income on housing in 1989, compared with 26 percent of moderate income households and 76 percent of poor households.

Housing Problems Decrease as Income Rises

In short, as household income rises, the portion of income spent on housing declines. Those with the lowest incomes are likely to spend the largest proportion of income for housing; those at the highest income levels spend the smallest shares of income for housing.

The typical household with an income of less than $10,000 — including both homeowners and renters — spent 45 percent of its income on housing costs in 1989. The typical household in the $20,000 to $30,000 income range spent 20 percent of income on housing costs. For the typical household with income greater than $100,000, housing consumed nine percent of income.[20]

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[20]As used here, "typical" refers to the household whose housing cost burden was exactly in the middle of the distribution of housing cost burdens. For example, if the typical household with income of less than $10,000 spent 45 percent of income on housing, then half of all households in this income bracket spent less than 45 percent of income on housing, while the other half spent more than 45 percent.

II. Housing Affordability Problems Affect Poor Throughout the Nation

The housing affordability crisis is not limited to one part of the nation or to members of a particular racial or ethnic minority. Poor White, Black, and Hispanic households all face excessive housing cost burdens. Problems in housing affordability affect poor households in rural as well as urban areas. A significant shortage of affordable housing exists in every region of the United States. In addition, housing problems are serious for poor households that work as well as for those that do not.

Poor White, Poor Black, and Poor Hispanic Households

The problems of high housing cost burdens affect poor White, Black, and Hispanic households alike.[21] Roughly half of all poor White, Black, and Hispanic households spent at least 50 percent of their income on housing costs in 1989. Some 52 percent of the 7.5 million poor White households had housing costs of this magnitude, as did 46 percent of the 3.1 million poor Black households and 56 percent of the 1.4 million poor Hispanic households.

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[21]The published American Housing Survey provides detailed information on Black and Hispanic households, but not on White households. The figures presented here for White households actually refer to all non-Black, non-Hispanic households. Some 97 percent of these non-Black, non-Hispanic households are Whites. The remainder are Asian or Pacific Islander, American Indian, Aleut, Eskimo, or another race.

This report adopts the terms "White," "Black," and "Hispanic," with all three terms capitalized, to be consistent with the terms used in the American Housing Survey and other Census Bureau documents.

Whites make up a large majority of poor households and therefore constitute a majority of the poor households bearing high housing cost burdens. Of the 7.9 million poor households that spent at least 30 percent of their income for housing in 1989, some five million — 63 percent — were White.

Nevertheless, the Black and Hispanic communities were more heavily affected by high housing cost burdens because Black and Hispanic households are much more likely than White households to be poor. Some 30 percent of Black households were poor in 1989, as were 22 percent of Hispanic households and 10 percent of White households. Stated another way, Blacks and Hispanics made up 18 percent of all households but accounted for 36 percent of the households that were poor.

Poor Households in Metropolitan and Nonmetropolitan Areas

Housing affordability problems also affected poor households in both metropolitan and nonmetropolitan areas. Metropolitan areas include both central city and suburban areas.

- In 1989, some 65 percent of the 3.6 million poor households in nonmetro areas spent at least 30 percent of their income on housing.

- Some 81 percent of the five million poor households in central cities and 80 percent of the 3.8 million poor households in suburban areas spent this much.

- Some 37 percent of poor nonmetro households spent at least *half* of their income on housing, while 55 percent of poor central city households and 58 percent of poor suburban households had housing cost burdens of this magnitude.

The heavier housing cost burdens of poor households in metropolitan areas reflect several factors. A much larger proportion of nonmetro poor households own their homes and have paid off their mortgages. Homeowners who have paid off their mortgages generally have lower housing costs than either renters or owners with outstanding mortgages. Moreover, housing costs tend to be somewhat lower in nonmetro than in metro areas.

Nevertheless, housing problems in nonmetropolitan areas should not be considered less severe than in metropolitan areas. First, the poverty rate among nonmetro households in 1989 — 18 percent — was well above the poverty rate for metro households, which stood at 12 percent. In fact, the poverty rate among

The Characteristics of Poor Households

The nation's 12.4 million poor households were relatively small in size. More than one in three were single-person households. Nearly three of four had three or fewer people. Just one in six poor households had more than four persons.

More than half of all poor households were women living alone or female-headed households.

- In 1989, some 73 percent of the 4.5 million poor people who lived alone were women. Of the poor women living alone, two-thirds were elderly.

- Nearly half of the 7.9 million poor households of two or more persons were female-headed households.

Whites made up the largest portion of poor households — 61 percent — but Black and Hispanic households were far more likely to be poor than White households were. Black households constituted 11 percent of all households, but 25 percent of the poor households. Similarly, Hispanics represented six percent of all households, but 11 percent of the poor households.

Three of 10 poor households were headed by an elderly person, while 44 percent were composed of families with children. Roughly one in four poor households consisted of non-elderly people without children — including people living alone, childless couples, and other related or unrelated people living together.

The characteristics of the 7.5 million poor *renter* households and the 4.9 million poor *homeowner* households differed in a number of ways. Poor homeowners were more likely to be elderly and to be White, to have no children, and to be married.

- Some 44 percent of poor homeowner households were elderly, compared with 20 percent of poor renter households. The median poor homeowner head was 62 years old, while the median poor renter household head was 38 years old.

- One of three poor homeowners had children. More than half of poor renters did.

- Some 73 percent of poor homeowners were White, while 19 percent were Black and seven percent were Hispanic. Among poor renters, 52 percent were White, 31 percent were Black, and 14 percent were Hispanic.

- Of the poor homeowner households of two or more people, nearly two-thirds were married-couple families, while 28 percent were female-headed families. By contrast, among poor renter households of two or more people, just one-third were married-couple families, while a majority — 59 percent — were female-headed families.

Some of the characteristic differences between poor homeowners and renters can be attributed to the high costs of purchasing a home. For many low income households, the costs of buying a home, including the down payment, closing costs, and mortgage payments, can be prohibitive. Owning a home is thus most difficult for those groups that typically have the lowest incomes or that remain poor for the longest periods of time, such as households that are young, single-parent, Black or Hispanic.

nonmetro households was as high as the poverty rate just for central city households, which was 17 percent. It was double the rate among suburban households, which stood at nine percent.[22]

In addition, poor households in nonmetro areas are much more likely than poor suburban households — and somewhat more likely than poor central city households — to live in substandard housing. This issue is discussed in Chapter IV.

Shortage of Affordable Housing in Every Region

The Census Bureau divides the United States into four regions: Northeast, Midwest, South, and West. While housing costs vary greatly from community to community, there is a shortage of affordable housing in every region.[23]

- The greatest shortage of low rent housing is in the West. In 1989, there were 1.9 million low income renter households in the region, but only 600,000 low rent units. Hence there were more than three low income renters for every low rent unit.[24]

- In the Northeast, there were two million low income renters, but just 900,000 low rent units.

- In both the South and Midwest, the number of low income renters exceeded the number of low rent units by more than one million. In the South, there were 3.3 million low income renters and two million low

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[22]While the poverty rate for *households* is as high in nonmetro areas as in central city areas, the poverty rate for *persons* is lower in nonmetro areas than in central city areas. In 1990, for example, 16 percent of the people in nonmetro areas were poor, compared with 19 percent of the people living in central cities.

[23]According to the definition used by the Census Bureau, the South includes the states of Alabama, Arkansas, Delaware, the District of Columbia, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

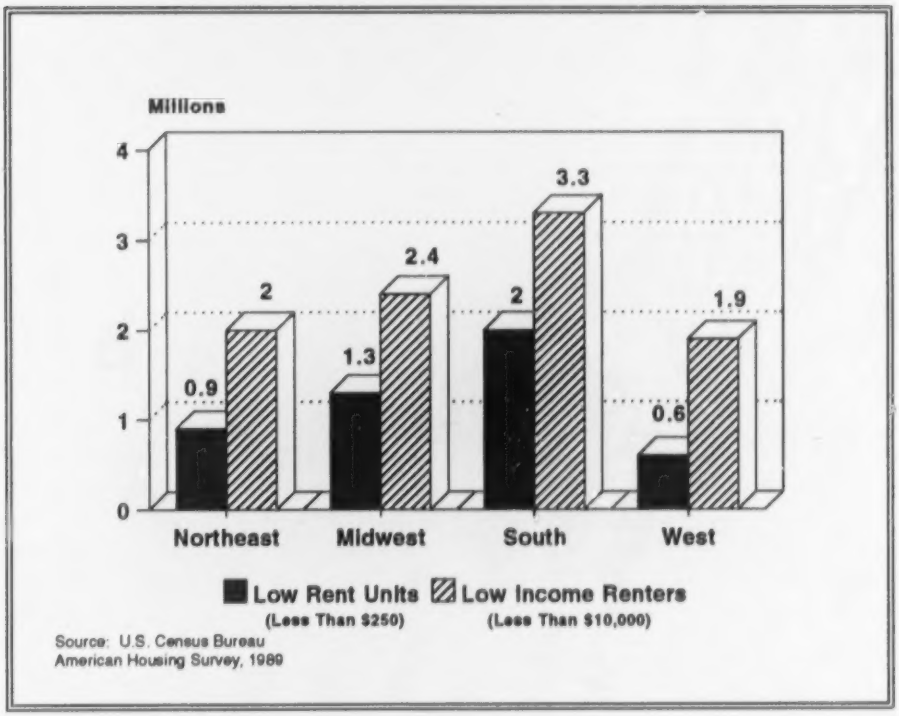
The states of the Northeast are Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Midwestern states include Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

In the West are Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

[24]These figures refer to *occupied* rental units only. Published data on vacant low rent units in each region are not available in the American Housing Survey.

Figure 3
The Shortage of Low Rent Housing By Region, 1989



rent units in 1989. In the Midwest, there were 2.4 million low income renters and 1.3 million low rent units. (See Figure III.)

As a result, poor households in every region spent very large portions of their limited incomes on housing.

- Roughly four of every five poor households in the Northeast (85 percent), the Midwest (78 percent), and the West (81 percent) spent at least 30 percent of their income on housing in 1989.

- In addition, more than two of three poor households in the South — 69 percent — had housing costs this high. (As noted in Chapter IV, the incidence of substandard housing is greater in the South than in any other region.)

Higher Housing Costs for Non-Poor Households

In addition to affecting most groups among the poor, rising housing cost burdens have hit many non-poor households as well. Housing costs have generally risen faster than incomes in recent years.

- Among all renter households — including both poor and non-poor households — median rental costs rose from $324 a month in 1970 to $424 a month in 1989. (These figures are adjusted for inflation.) This represents an increase of 31 percent.

- During the same period, the incomes of renters decreased. Among all renter households, median income declined four percent between 1970 and 1989, after adjusting for inflation, from $18,915 to $18,124.

Similar patterns hold true for homeowners.

- The median housing costs among homeowners paying off a mortgage climbed 38 percent between 1975 and 1989, from $507 a month to $702 a month, after adjusting for inflation. (1975 is the first year for which these data are available.) Among homeowners with no mortgage liabilities, median costs rose from $181 a month in 1975 to $204 a month in 1989, an increase of 13 percent after inflation.

- Median income among all homeowners — including both those with and those without a mortgage — rose 13 percent during this period.

Working Poor Families Affected by Housing Squeeze

Among the low income households that face high housing cost burdens are those in which one or more household members work. Full-time work at a low-wage job is insufficient in many areas of the nation to meet the high costs of housing.

For example, the minimum wage was $3.35 an hour in 1989. (It was raised to $3.80 an hour in April 1990 and $4.25 an hour in April 1991.) A family with one full-time minimum wage worker had an income of $6,700 in 1989, assuming work of 40 hours a week for 50 weeks a year.

- Median housing costs among poor renters were $281 a month in 1989. That equalled half of full-time minimum wage income.

- In many areas of the country, a minimum wage worker would have had to pay substantially more than half his or her income for an apartment at the Fair Market Rent. (This is HUD's estimate of the cost of a modest

apartment in the local area.) In 47 of the 50 states and the District of Columbia, the average metropolitan Fair Market Rent for a two-bedroom apartment would have consumed more than 70 percent of full-time minimum wage income in 1989.[25]

- Between 1989 and 1991, the minimum wage increased 27 percent. This was greater than the increase in rents in most communities during that period. Nevertheless, in 1991 the income from full-time work at the minimum wage remains well below the level that families in most areas need to rent affordable housing. In 26 states and the District of Columbia, the average metropolitan Fair Market Rent for a two-bedroom apartment would consume more than 70 percent of full-time minimum wage income in 1991. In every state, more than half of full-time minimum wage income would be needed to rent a modest two-bedroom apartment at the Fair Market Rent.

[25]The statewide Fair Market Rent data represent a weighted average of the Fair Market Rents in the metropolitan areas within each state. For further information, see *Out of Reach*, LIHIS, op. cit.

III. Deficient and Overcrowded Housing

Not only do poor households bear high housing cost burdens, but substantial numbers of them live in housing that is physically deficient or overcrowded. The proportion of poor households living in deficient or overcrowded housing greatly exceeds the proportion of households in higher income groups that face these conditions.

Deficient Housing

According to the American Housing Survey, poor households are much more likely than non-poor households to live in physically deficient housing.

- In 1989, some 18 percent of poor households lived in housing with moderate or severe physical problems. A total of 2.2 million poor households lived in these conditions. (See box on next page for the definitions of moderate and severe problems.)

- By contrast, seven percent of non-poor households lived in housing with these problems. Poor households thus were more than twice as likely as non-poor households to live in deficient housing.

Nearly one in every five units occupied by a poor renter household in 1989 — 19 percent — had moderate or severe physical problems. In contrast, 10 percent of non-poor renters lived in such conditions. Poor homeowners were slightly less likely to live in deficient housing than poor renters. One in every six poor homeowners — 16 percent — lived in deficient homes. But only one in every 20 non-poor homeowners — or five percent — did. (See Figure 4.)

HUD's Definitions of Deficient Housing

The Bureau of the Census and the U.S. Department of Housing and Urban Development classify housing units according to whether the units have physical or structural deficiencies. A unit is classified as having "severe" physical problems if it has one or more of the following five deficiencies:

- It lacks hot or cold water or a flush toilet, or both a bathtub and a shower.
- The heating equipment has broken down at least three times for six hours or more during the previous winter, resulting in the unit being uncomfortably cold for 24 hours or more.
- It has no electricity, or it has exposed wiring *and* a room with no working wall outlet *and* had three blown fuses or tripped circuitbreakers during the previous 90 days.
- In public areas such as hallways and staircases, it has no working light fixtures *and* loose or missing steps *and* loose or missing railings *and* no elevator.
- It has at least five basic maintenance problems such as water leaks, holes in the floors or ceilings, peeling paint or broken plaster, or evidence of rats during the previous 90 days.

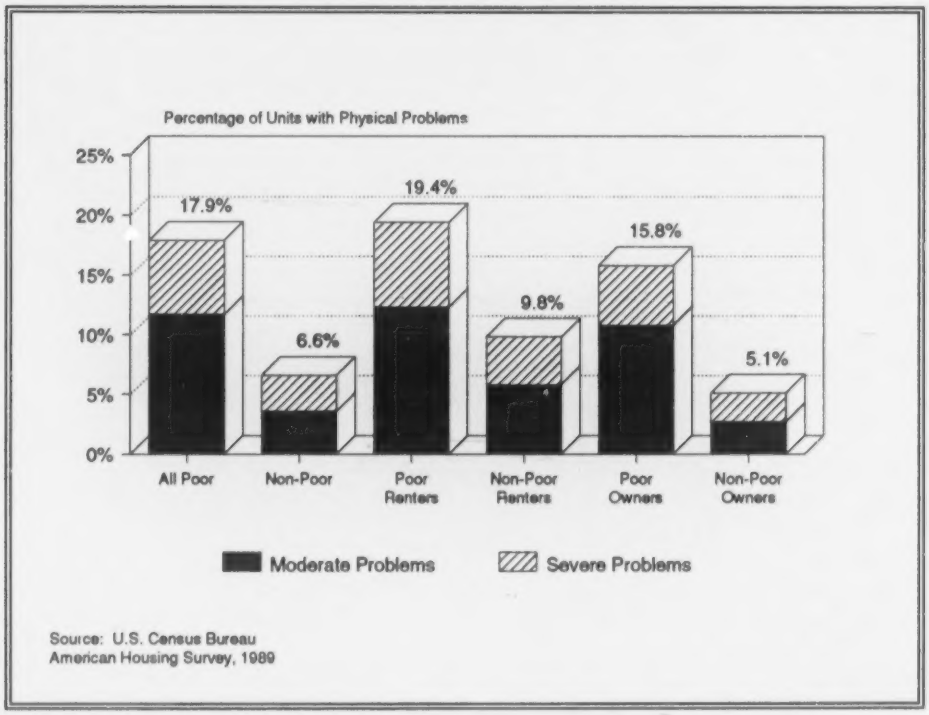
A unit is classified as having "moderate" physical problems if it does not have any of the severe problems, but has one or more of the following five deficiencies:

- On at least three occasions in the past three months, all flush toilets were broken for at least six hours.
- Unvented gas, oil, or kerosene heaters are its primary heating equipment.
- It lacks a sink, refrigerator, or either burners or an oven.
- It has three of the four hallway or staircase problems listed above.
- It has at least three of the basic maintenance problems listed above.

Black and Hispanic households are much more likely than White households to live in deficient housing. Some 18 percent of *all* Black households — including poor and non-poor households — occupied deficient housing units in 1989, as did 15 percent of all Hispanic households. Six percent of White households lived in these conditions.

This disparity between minorities and Whites is particularly large among poor households. Nearly three of every 10 poor Black households — 29 percent — lived

Figure 4
Physically Inadequate Housing Among
Poor and Non-Poor Households, 1989



in deficient housing in 1989, as did more than one in five — 23 percent — poor Hispanic households. By contrast, one in eight poor White households — 13 percent — lived in these conditions. (This matter is explored further in Chapter VIII.)

By other measures as well, poor households were far more likely than non-poor households to live in deficient housing units. Although poor households constituted only 13 percent of all households in 1989, these households occupied:

- 24 percent of the units with severe physical problems.
- 36 percent of the units with holes in the floor.
- 33 percent of the units with evidence of rats.
- 32 percent of the units lacking kitchen facilities such as a stove or a refrigerator.[26]

[26]Overall, 3.2 million households, including both poor and non-poor households, lived in housing with severe physical problems. Some 4.9 million units had holes in the floor, while 3.5 million had signs of rats and 1.1 million units lacked some kitchen facilities.

Table I
Households Living in Deficient Housing, 1989

	POOR HOUSEHOLDS		NON-POOR HOUSEHOLDS	
	Rate	Number (thousands)	Rate	Number (thousands)
All households	17.9%	2,223	6.6%	5,380
Renters	19.4	1,448	9.8	2,583
Owners	15.8	776	5.1	2,796
Black	29.2	921	13.0	972
Hispanic	23.1	320	12.0	576
White	12.5	982	5.6	3,832
Elderly	15.8	597	5.9	963
Central City	19.0	958	8.2	2,065
Suburb	13.0	490	5.2	2,048
Nonmetro	21.5	776	7.6	1,266

Overcrowding

Housing is considered overcrowded if it houses more than one person per room. In 1989, eight percent of poor households — or approximately one million poor households — lived in overcrowded quarters.

Like the incidence of deficient housing, overcrowding is most common among poor renters. Some 10 percent of poor renter households lived in overcrowded conditions in 1989, compared with four percent of non-poor renters. While overcrowding is less prevalent among poor homeowners, here, too, there is a marked disparity between those who are poor and those who are not. One of 20 poor homeowners — five percent — suffered from overcrowding in 1989. Fewer than one in 75 non-poor homeowners — 1.3 percent — did.

Overcrowding is particularly severe among Hispanics. More than one in every four poor Hispanic households — 26 percent — lived in overcrowded quarters in 1989. By contrast, nine percent of poor Black households and four percent of poor Whites lived in such conditions.

A substantial fraction of households living in overcrowded conditions also live in physically deficient housing. Nearly one in every four households living in overcrowded quarters occupied a deficient unit.

Table II
Households Living in Overcrowded Conditions, 1989

	POOR HOUSEHOLDS		NON-POOR HOUSEHOLDS	
	Rate	Number *(thousands)*	Rate	Number *(thousands)*
All households	7.9%	983	2.1%	1,693
Renters	10.0	751	3.7	971
Owners	4.7	231	1.3	724
Black	9.1	286	3.3	244
Hispanic	26.0	361	11.3	543
White	4.3	336	0.2	906
Elderly	1.0	38	0.2	36
Central City	9.4	473	3.1	793
Suburb	7.8	293	1.8	700
Nonmetro	6.0	217	1.2	201

Deficient and Overcrowded Housing Varies By Region

The incidence of deficient and overcrowded housing varies substantially across the nation. Households living in rural areas and in the South are most likely to occupy physically deficient housing. Poor households in urban areas and the West are most likely to live in overcrowded conditions.

In 1989, some 22 percent of poor households in nonmetro areas occupied deficient housing units, compared with 19 percent of poor households in central cities and 13 percent of poor households in suburban areas.

In addition, the kinds of housing quality problems faced by low income households in nonmetro areas often pose greater health risks or are more costly to repair than the problems most commonly faced in metro areas. Housing quality problems in nonmetro areas disproportionately include inadequate plumbing or bathroom facilities, unsanitary waste disposal or water facilities, deficient heating equipment, leaky roofs, and other structural flaws. Problems in central cities are more likely to involve maintenance and upkeep, such as rodent infestation, peeling paint or plaster, boarded up or broken windows, and cracks or holes in interior walls.

Deficient housing is more common in the South than in other regions. This is true for both metropolitan and nonmetropolitan areas of the South. In 1989, some 42 percent of all nonmetro households — including both poor and non-poor households — resided in the South, but 65 percent of the nonmetro households occupying

deficient housing lived there. Similarly, 33 percent of all households living in metropolitan areas resided in the South, but 40 percent of all deficient units in metro areas were in that region.

Overcrowding, by contrast, is more common in metropolitan areas and in the West. In 1989, nine percent of poor central city households lived in overcrowded conditions, compared with eight percent of poor suburban households and six percent of poor nonmetro households.

Overcrowding was highest among households living in metro areas in the West. These households were twice as likely as households in other regions to live in overcrowded conditions.[27]

[27] Five percent of all metro area households in the West — including both poor and non-poor households — lived in overcrowded conditions. Less than three percent of metro households in the Northeast, Midwest, and South lived in such conditions.

IV. Housing Assistance for the Poor

Despite the pledge in the Housing Act of 1949 of "a decent home and a suitable living environment for every American family" and despite the growing shortage of affordable housing in the private market, the federal government provides housing assistance to only a modest fraction of poor renter households. Reductions in federal housing assistance in the 1980s have exacerbated the low income housing crisis.

Low Levels of Housing Assistance

In 1989, only 2.7 million of the 7.5 million renters with incomes below the poverty line — 36 percent of such households — received a rental subsidy from a federal, state, or local housing assistance program or lived in public housing. In other words, nearly two-thirds of all poor renter households received no government housing assistance in meeting high housing cost burdens.

The proportion of poor households living in subsidized housing is lower than the proportions receiving most other types of "safety net" assistance provided in forms other than cash.

- Census data show that 70 percent of poor households with school-age children received free or reduced-price school lunches in 1989. In addition, 44 percent of poor households had Medicaid coverage that year, while 41 percent received food stamps.[28]

[28]Due to expansions in eligibility for Medicaid, the percentage of poor households with Medicaid coverage has probably grown since 1989.

- In contrast, just 22 percent of all poor households were aided through a housing program.[29]

A primary reason most other safety net programs serve a larger proportion of poor households than do the housing programs is that most of the other programs are "entitlements" — programs in which individuals or families are entitled to benefits if they meet certain eligibility tests. By contrast, poor households that meet all income and other eligibility criteria for the housing programs are *not* legally entitled to housing assistance. Rather, the number of households served in the housing programs is limited to the number that can be assisted within the amounts Congress appropriates each year for these programs.

Waiting Lists for Housing Assistance

Consequently, applicants for housing assistance are often put on waiting lists and usually wait months or years before receiving aid. Many local jurisdictions have closed their waiting lists because requests for assistance so far outrun the supply of public or other subsidized housing.

There are two main forms of government housing assistance — public housing and housing that is privately owned but subsidized by the government. Public housing units are owned by local public housing authorities, which in turn receive financial support from the federal government. In privately owned subsidized rental units, a portion of the rent is paid by the federal government. Other poor households received assistance through a state or local government program.

Data from a survey conducted by the National Association of Housing and Redevelopment Officials indicate that requests for housing assistance greatly exceed the supply. *More than one million households* were on waiting lists for public housing at the end of 1988.[30] Approximately 800,000 households were on waiting lists for privately owned subsidized housing.[31]

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[29]The percentage of *eligible* households — rather than of all poor households — receiving benefits in these programs may be somewhat higher, particularly in programs that have assets limits that make some low income households ineligible. For example, the Congressional Budget Office has estimated that 41 percent to 58 percent of all eligible households (and between 51 percent and 66 percent of all eligible individuals) receive food stamps. By contrast, CBO has estimated that only 25 percent to 33 percent of eligible low income households received housing assistance in 1988. These CBO estimates include participation by households that have incomes above the poverty line but qualify for the programs. The estimates exclude households that have incomes below the poverty line but do not qualify, for reasons such as failing to meet program assets limits.

[30]National Association of Housing and Redevelopment Officials, *The Many Faces of Public Housing*, 1990, p. 6.

[31]The total number of households on waiting lists is somewhat less than 1.8 million because some households are on waiting lists for both types of subsidized housing. In addition, some households are on the lists of more than one public housing authority.

Furthermore, these figures understate the demand for housing assistance, since some major housing authorities have long ceased taking new applications for assistance.[32]

- In San Francisco, for example, the waiting list for public housing was closed in 1988, and the waiting list for privately owned subsidized housing was closed in 1986. Some 6,000 families remain on these lists.

- The Milwaukee City Housing Authority closed its waiting lists for privately owned subsidized housing in 1985. The waiting list for public housing was closed in 1988, with the exception of units reserved for low income elderly people. In September 1990, the waiting lists were opened for eight weeks and then closed again. During that time, more than 15,000 households applied for assistance.

- In Atlanta, the waiting list for privately owned subsidized housing has been closed since February 1988. Some 1,350 families are on that list.

Of the largest public housing authorities — those administering more than 2,500 units of subsidized housing — 16 percent have closed their waiting lists. This is most common in cities with tight housing markets. Unfortunately, these are the very locations that most need subsidized housing.

Despite the long waiting lists for public housing in many communities, about 80,000 public housing units across the country are vacant. About two-thirds of these are vacant because they are either under going rehabilitation or are in need of it.[33]

For those fortunate enough to get on a waiting list, the wait to receive a housing subsidy can be lengthy. The duration of the wait often varies by family size. Families with children, especially large families, generally wait longest. The NAHRO survey found that the average wait for housing at large public housing authorities is 18 months to two years, although in some areas the wait is much longer. Among smaller PHAs, the average wait for a housing unit is about one year. The typical wait for privately owned subsidized housing is 18 months.

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[32]This information was obtained through telephone surveys of public housing authorities and from NAHRO, op. cit.

[33]The remaining vacancies exist for several reasons. Some units are vacant due to normal turnover. Others are vacant because their location or other characteristics make them undesirable. Finally, a unit may be vacant because it does not meet the needs of the families on the waiting list. For example, some public housing authorities have a surplus of small apartments designated for elderly households while there is a shortage of units for large families.

- In New York City, a qualified family joining the waiting list for public housing this year could wait more than 20 years to be assigned to a unit.

- In Baltimore, a family applying for either public housing or privately owned subsidized housing could expect to wait two to 10 years before receiving assistance.

- In San Antonio, a family with children seeking privately owned subsidized housing typically waits two to three years to receive assistance.

- In St. Louis, a family could wait five months to three years before receiving assistance, depending on family size.

Large Reductions in Funding for Federal Housing Programs

Despite the substantial and growing need for housing assistance, federal housing programs were cut sharply in the 1980s. There are two major sources of low income housing assistance: the various housing programs run by the Department of Housing and Urban Development and the programs operated by the Farmers Home Administration of the U.S. Department of Agriculture. HUD concentrates its assistance on renters in metropolitan areas, while the Farmers Home Administration, or FmHA, administers rural housing programs and primarily assists homeowners.

- Appropriations for HUD's subsidized housing programs fell from a peak of $32.2 billion in fiscal year 1978 to $11.7 billion in fiscal year 1991. After adjusting for inflation, this constitutes a decline of 81 percent.[34]

- The combined total of new lending authority for FmHA's direct loan programs and appropriations for FmHA's rental assistance programs

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[34]These figures were compiled by the Congressional Budget Office and published in the *1991 Green Book*, Committee on Ways and Means, U.S. House of Representatives, May 1991, p. 1445. Appropriations for subsidized housing programs in fiscal year 1992 total $10.4 billion, including $1.5 billion for the new HOME program.

CBO found that when the appropriations levels were measured in constant 1990 dollars to remove the effects of inflation, they fell from $59.1 billion in fiscal year 1978 to $11.2 billion in fiscal year 1991. The fiscal year 1991 figure does not include appropriations of $7.7 billion for renewing expiring Section 8 contracts. Funding for these Section 8 contracts simply continues previous levels of assistance and does not provide new incremental assistance.

dropped from $3.7 billion in fiscal year 1978 to $2.0 billion in fiscal year 1991, a decline of 72 percent after adjusting for inflation.[35]

This decline in appropriations levels partly reflects a shift in federal housing policy from more costly construction and substantial rehabilitation of low income housing to less costly tenant-based subsidies and housing vouchers. In large part, however, the decline reflects a dramatic drop in the number of commitments made each year to extend housing aid to families previously lacking such assistance. To help address the unmet need for housing assistance, a portion of the funds Congress appropriates for low income housing programs each year is used for these new commitments.

The number of low rent units in the private market has declined sharply since the 1970s, while the number of low income families needing affordable housing has increased. As a result, the number of low income households receiving housing assistance needs to expand substantially each year just to keep the shortage of affordable housing from growing worse. The large reductions in the 1980s in the number of additional households assisted each year have had serious consequences.

- From fiscal year 1977 through fiscal year 1980, HUD made commitments to provide federal rental assistance to an average of 290,000 additional low income households each year. From fiscal year 1981 through fiscal year 1991, however, the number of additional households helped dropped precipitously to an average of 78,000 per year, a decline of nearly three-quarters.

- Had the number of additional low income households aided from 1981 through 1991 remained at the same average annual level as in the late 1970s, there would now be an additional 2.3 million low income households receiving assistance through HUD.

- FmHA made commitments to assist an average of 137,000 additional homebuyers each year from fiscal year 1977 though fiscal year 1980. The number of commitments to aid new homebuyers dropped to an average of 63,000 per year from fiscal year 1981 through fiscal year 1991, a reduction of 54 percent. Had the number of households assisted from 1981 through 1991 remained at the same average rate as in the late 1970s, an additional 809,000 rural households would have been assisted.

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[35]When measured in constant 1990 dollars to remove the effects of inflation, the loan authority and appropriations decreased from $6.8 billion in fiscal year 1978 to $1.9 billion in fiscal year 1991. See *1991 Green Book*, p. 1445.

- A 1991 HUD report found that 5.1 million renter families not receiving housing assistance have "worst case" housing needs defined as very low income renters who spend more than half of their income on housing or occupy severely deficient housing, or both. Congress and the Administration, however, provided enough funding for HUD and FmHA low income housing programs to make commitments to just 129,000 additional households in fiscal year 1991.[36]

The Number of Poor Renters *Not* Receiving Housing Assistance Rises

Despite the deep reduction in appropriations for subsidized housing, the number of households receiving housing assistance grew during the 1980s. Congress appropriates funds each year to assist additional households as well as to maintain commitments to families currently receiving aid. The new commitments result in a steadily growing number of housing assistance recipients. Federal housing subsidies covered 5.5 million renters and homeowners under HUD and FmHA programs in 1990, two million more than in 1978.[37]

Partly because the number of households receiving housing assistance grew during the 1980s, total expenditures (or "outlays") for the housing programs increased. Expenditures for housing programs operated by HUD and FmHA rose from $3.9 billion in fiscal year 1978 to $18.3 billion in fiscal year 1990.[38]

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[36]Families can receive housing assistance through additional commitments or when households currently receiving assistance leave the program.

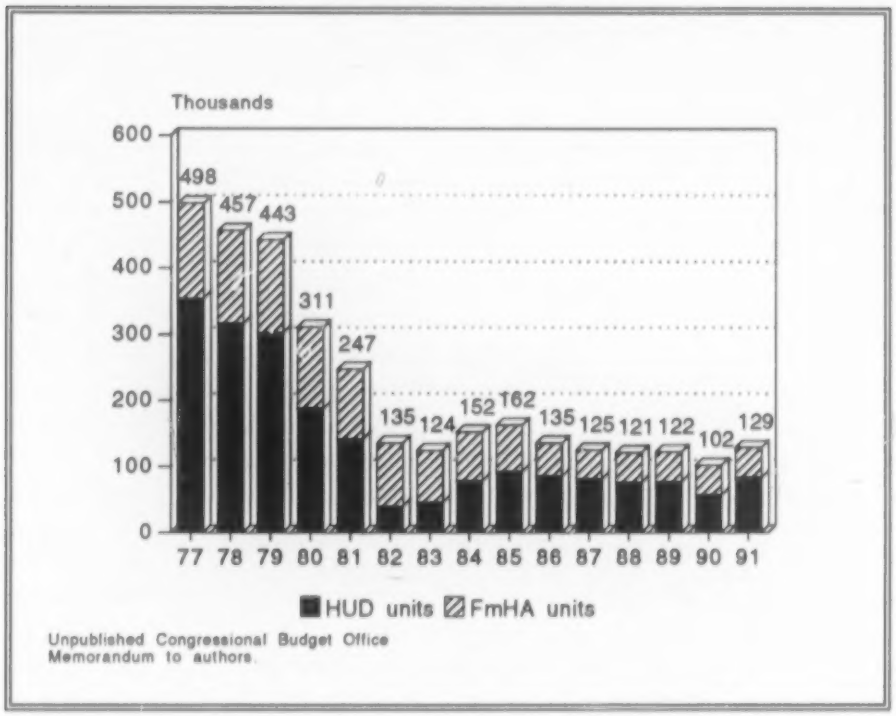
[37]The proportion of poor renter households that receive housing assistance through a federal, state, or local government housing program rose from 23 percent in 1979 to 36 percent in 1989.

[38]When measured in constant 1990 dollars to remove the effects of inflation, outlays increased from $7.2 billion fiscal year 1978 to $18.3 billion in fiscal year 1990. *1991 Green Book*, p. 1446.

Several factors in addition to an increase in the number of subsidized households contributed to this increase in spending. Some of the funds spent on low income housing programs in the 1980s resulted from long-term appropriations made in the 1970s. Furthermore, the average incomes of poor households in subsidized housing units rose more slowly during this period than the rental costs for their units, with the result that larger subsidies were required over time for the average unit. The average subsidy per unit increased from $1,990 in 1978 to $3,290 in 1990, an increase of 65 percent after adjusting for inflation.

The figures for incremental units cited here are from CBO calculations based on unpublished data provided to CBO by HUD and the Farmers Home Administration. As a result, they differ somewhat from tabulations prepared by LIHIS based on data published in HUD's annual budget documents.

Figure 5
HUD and FmHA Low Income Housing
Net Additional Units, 1977 - 1991



Nevertheless, the reduction in additional commitments means that the number of low income households receiving such aid grew at a much slower rate in the 1980s than in the late 1970s. This led to an unfortunate consequence: the number of renter households with incomes below the poverty line grew faster than did the number of poor families receiving housing assistance. As a result, the number of poor renter households *not receiving any housing assistance* is larger today than in the late 1970s.

- In 1978, some 4.5 million poor renter households received no housing assistance from the federal government or from their state or local governments.

- In 1989, the number of poor renters without housing assistance stood at 4.8 million.[39]

[39]The number of poor households not receiving housing assistance during this period peaked at 6.2 million in 1983. Between 1983 and 1989, the number of poor households declined, while the number of households receiving housing assistance increased. The number of poor households not receiving housing assistance is likely to have climbed again in 1990 and 1991, however, as poverty grew substantially due to the economic downturn.

Had the number of additional households assisted through these programs each year remained at the same level as in the late 1970s, the number of poor households not receiving housing assistance would have declined rather than increased.

Most Federal Housing Expenditures Benefit Higher Income Families

In contrast to the changes in federal low income housing programs, there has been a sharp increase in recent years in a set of federal housing subsidies that primarily benefit middle and upper income families. Each year the federal government provides billions of dollars in benefits to homeowners through deductions — primarily mortgage interest and property tax deductions — from otherwise taxable income. Since these deductions reduce the federal income taxes paid by homeowners, they constitute an indirect housing subsidy. Subsidies that result from tax deductions, credits, or other tax breaks are often termed "tax expenditures," since they essentially entail government spending through the tax code.

When all types of federal housing subsidies are considered — including both direct federal spending through HUD and FmHA housing programs and tax expenditures provided through the Internal Revenue Code — the subsidies provided through tax expenditures vastly exceed those provided through the low income housing programs. (See Table III.)

- In fiscal year 1990, direct spending on federal low income housing assistance programs was $18.3 billion.

- The Office of Management and Budget estimates that federal tax expenditures for housing that year totalled $78.4 billion, more than four times the amount spent on the housing programs.

The wide disparity between the amount of government housing assistance provided through tax expenditures and the amount provided through housing programs indicate that the housing subsidy system is strongly tilted toward affluent households. According to estimates of the Congressional Joint Committee on Taxation, the benefits from tax expenditures related to housing accrue disproportionately to those at the top of the income spectrum.[40]

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[40]Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1992-1996*, March 11, 1991, Table 3, p. 19. The JCT uses a tax simulation model based on tax laws in effect as of January 1, 1991.

Table III
Federal Spending for Housing, 1977 - 1990
(in billions of dollars)

Year	Outlays	Tax expenditures
1977	$3.2	$10.2
1978	3.9	14.7
1979	4.7	19.4
1980	5.9	25.1
1981	7.9	31.2
1982	9.4	35.7
1983	11.4	35.2
1984	13.2	38.1
1985	27.6	41.3
1986	14.9	49.6
1987	15.3	56.0
1988	16.5	57.6
1989	17.3	71.2
1990 estimate	18.3	78.4

Source: Figures for outlays are from the *1991 Green Book*, p. 1446. Figures for tax expenditures are from OMB's *Special Analyses* section of annual budget documents. The increase in outlays in 1985 was caused by a change in the method of financing public housing, which generated almost $14 billion in one-time expenditures. Because of this one-time expenditure and the change in financing mechanisms, outlays for public housing after 1985 were lower than they otherwise would have been. Tax expenditure figures for years starting in 1987 include expenditures through the Low Income Housing Tax Credit, which is intended to generate the construction and rehabilitation of low income housing. Tax expenditures for the Low Income Housing Tax Credit were $115 million in fiscal year 1990.

- In 1991, some 81 percent of the $37 billion in tax benefits from the deductibility of home mortgage interest will go to the 20 percent of households with incomes above $50,000. This amounts to an average subsidy of $2,077 for each household in the top fifth of the income scale who claim this deduction.

- Moreover, the richest five percent of households — the 4.3 million households with incomes above $100,000 — will receive 31 percent of the benefits from this deduction in 1991. The average benefit for the households in this income bracket claiming the deduction is about $3,500 per year.

- By contrast, only 769,000 of the 47.5 million households with income below $20,000 claim the home mortgage interest deduction on their tax returns. The average tax benefit for these households will be only about $420 in 1991. Households with incomes below $20,000 make up 42

percent of all U.S. households filing tax returns, but they receive less than one percent of the benefits from the mortgage interest deduction.

- Joint Tax Committee estimates indicate that the top fifth of households also receive most of the benefits from the federal income tax deduction for state and local property taxes. In 1991, some 90 percent of the tax benefits from deductibility of state and local property taxes are expected to go to these households. Meanwhile, less than two-tenths of one percent of these tax benefits will go to the 42 percent of households with incomes under $20,000.[41]

Because tax expenditures account for such a large share of federal housing subsidies, the bulk of federal spending on housing goes to assist those in the upper parts of the income scale, not those at or near the bottom.[42]

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[41]Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1992-1996*, March 11, 1991, Table 3, pp. 18-23.

[42]For further information, see *The Snails Pace Continues: A Sourcebook on the Proposed FY 1992 Budget and How it Compares to Prior Years*, the Low Income Housing Information Service, March 1991.

V. Other Assistance Fails to Meet Needs

The proportion of poor households that receive cash assistance is considerably larger than the fraction receiving housing assistance. Cash assistance benefits can help meet the costs of housing and other necessities.

But the benefit levels in the cash assistance programs for the poor tend to be quite low. Throughout the nation, these benefits fall well below what is needed to bring housing costs within the affordable range for program beneficiaries.

Some states also have property tax relief programs for poor households whose property taxes are high in relation to their incomes. These programs are usually quite limited in scope. In most states, they have only a modest impact on the housing cost burdens of the poor.

Cash Assistance

The principal federal cash support programs are: Aid to Families with Dependent Children, or AFDC, which provides cash assistance to poor families with children; and Supplemental Security Income, or SSI, which provides cash assistance to poor individuals and couples who are elderly, blind, or disabled. Some states also operate General Assistance, or GA, programs, which provide cash assistance to certain groups not covered by AFDC or SSI, usually certain categories of poor single individuals and childless couples who are neither elderly nor disabled, or are not sufficiently disabled to qualify for SSI. No federal funds are provided for GA programs.

In AFDC, the primary cash assistance program for families with children, each state determines its level of benefits, while funding is shared by the federal and state governments. In *all* states, AFDC benefit levels are well below the amounts needed to enable families to find affordable housing.

- In 44 states and the District of Columbia, the average cost of a modest two-bedroom apartment, reflected in HUD's Fair Market Rent, is greater than the entire AFDC benefit for a family of three with no other income. In the remaining six states, the Fair Market Rent equals more than 60 percent of the AFDC grant. The Fair Market Rent is HUD's estimate of rental costs for a modest apartment in a local area.[43]

- In seven states, the cost of a two-bedroom apartment at the Fair Market Rent is more than *twice* the maximum AFDC benefit for a family of three. These states are Alabama, Arkansas, Louisiana, Mississippi, Nevada, Tennessee, and Texas.

- In 33 states and the District of Columbia, the Fair Market Rent for a two-bedroom apartment even exceeds the maximum AFDC benefit level for a family of *four* with no other income.

One reason AFDC benefits fall so far below Fair Market Rents is that in most states, these benefits have been reduced sharply in purchasing power over the past two decades.

- In the median state, the maximum AFDC benefit for a family of three with no other income declined 42 percent between 1970 and 1991, after adjusting for inflation.

- AFDC benefits have eroded so sharply that the value of AFDC and food stamp benefits *combined*, averaged across all states, is now at about the same level as the value of AFDC benefits *alone* in 1960, before the food stamp program was created.[44]

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[43]The statewide Fair Market Rent estimates used in this chapter represent a weighted average of the Fair Market Rents for all metropolitan areas within a state. For further information, see *Out of Reach: Why Everyday People Can't Find Affordable Housing*, Low Income Housing Information Service, 1991. Data on AFDC benefit levels are from the Committee on Ways and Means, U.S. House of Representatives, *1991 Green Book*, Committee on Ways and Means, U.S. House of Representatives, May 1991, pp. 599-600.

[44]*1991 Green Book*, op. cit., pp. 1074-5. The Green Book data show that in 1990, average AFDC and food stamp benefits for a family of four with no other income were only 2.8 percent higher than AFDC benefits alone in 1960, adjusting for inflation. Since AFDC benefits lost further ground to inflation in 1991 and are being cut in some states in fiscal year 1992, it is likely that the combined value of AFDC and food stamp benefits today is at or below the 1960 level. The average benefit levels cited here represent a weighted average across all states.

Table IV
AFDC Benefits and Housing Costs, 1991

State	Maximum Benefit, Family Of Three	Fair Market Rent, 2-Bedroom Apt.	FMR as Percentage Of AFDC Benefit	Change in AFDC 1970-1991
Alabama	$124	$390	314%	-45%
Alaska	891	550	62	-21
Arizona	293	570	195	-38
Arkansas	204	410	201	-34
California	694	750	108	8
Colorado	356	480	135	-47
Connecticut	680	680	100	-30
Delaware	338	590	175	-39
District of Columbia	428	730	171	-36
Florida	294	520	177	-25
Georgia	280	500	179	-24
Hawaii	632	700	111	-19
Idaho	317	540	170	-56
Illinois	367	610	166	-54
Indiana	288	450	156	-30
Iowa	426	470	110	-39
Kansas	409	460	112	-47
Kentucky	228	410	180	-55
Louisiana	190	470	247	-37
Maine	453	590	130	-3
Maryland	406	610	150	-27
Massachusetts	539	780	145	-42
Michigan (Wayne Co.)	525	490	93	-31
Minnesota	532	530	100	-40
Mississippi	120	430	358	-38
Missouri	292	450	154	-19
Montana	370	480	130	-47
Nebraska	364	440	121	-38
Nevada	330	680	206	-21
New Hampshire	516	660	128	-43
New Jersey	424	650	153	-59
New Mexico	310	610	197	-40
New York (New York City)	577	610	106	-40
North Carolina	272	420	154	-46
North Dakota	401	440	110	-45
Ohio	334	440	132	-40
Oklahoma	341	440	129	-35
Oregon	444	510	149	-30
Pennsylvania	421	510	121	-54
Rhode Island	554	610	110	-30
South Carolina	210	400	190	-28
South Dakota	385	430	112	-58
Tennessee	195	430	221	-50
Texas	184	460	250	-64
Utah	402	410	102	-33
Vermont	679	640	94	-26
Virginia	354	570	161	-54
Washington	531	530	100	-40
West Virginia	249	450	181	-37
Wisconsin	517	470	91	-19
Wyoming	360	600	167	-51

NOTE: In Michigan and the District of Columbia, AFDC benefits were reduced from the levels noted here during the 1991 fiscal year.

The decline in the purchasing power of AFDC benefits has substantially reduced the ability of AFDC families to find housing they can afford. Most AFDC families have faced escalating housing costs while their AFDC benefits have eroded.

- In 1975, the maximum AFDC benefit for a family of three exceeded the Fair Market Rent for a two-bedroom apartment in 40 states. The Fair Market Rent still would have consumed far more than 30 percent of income in most of these states.

- Today, the maximum AFDC benefit for a family of three is greater than the Fair Market Rent in only six states. In another state, Connecticut, the AFDC benefit equals the Fair Market Rent.

Most households receiving AFDC benefits do *not* receive additional assistance under a government housing program. Data from the U.S. Department of Health and Human Services indicate that in 1988, *only 24 percent* of AFDC recipients nationwide received any form of housing assistance from either the federal government or a state or local government.[45]

Supplemental Security Income Benefits

For poor people who are elderly or have disabilities, the basic cash assistance program is Supplemental Security Income. The federal government pays the full costs of basic SSI benefits, which are uniform nationally. Some 27 states supplement the federal SSI benefit with state funds. Even in states providing these supplemental benefits, however, the levels of assistance are inadequate to make housing costs in the private market affordable for most program recipients.

For households with no other income, the basic federal SSI payment in 1991 is $407 a month for an individual and $610 a month for a couple. Among states that supplement the federal payment, the median supplement is $36 a month for an individual and $49 for a couple.[46] At these levels, many elderly and disabled renters can barely pay the rent.

- In 1991, the Fair Market Rent for a *one-bedroom* apartment exceeded the maximum monthly SSI benefit for an individual living alone in 21 states

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[45] *Ibid.*, pp. 637-8.

[46] *Ibid.*, pp. 736 and 741.

and the District of Columbia.[47] In every state but Alaska, the Fair Market Rent for a one-bedroom apartment would consume more than 70 percent of the maximum SSI benefit for a person living alone.

- Even the Fair Market Rent for an *efficiency* apartment would consume more than 70 percent of the maximum SSI benefit for an individual living alone in 43 states.

- For elderly and disabled couples, the Fair Market Rent for a one-bedroom apartment would consume at least half of the maximum SSI grant in every state except Alaska and Colorado.

On average, housing costs in states that supplement the federal SSI benefit consume roughly the same proportion of an elderly individual's SSI benefit as these costs do in states that fail to supplement the federal benefit. This is true because states that supplement the federal SSI benefit typically have higher housing costs than states providing no supplement.

Nevertheless, SSI recipients in states with the *largest* state supplements are likely to have lower housing cost burdens than SSI recipients elsewhere. Connecticut and Alaska provide the largest SSI benefits — $766 and $756 a month for individuals, respectively. Despite above-average housing costs, the housing cost burdens for SSI recipients are lower in Connecticut and Alaska than in any other state.

Finally, some states have General Assistance — or General Relief — programs that provide cash assistance to some categories of poor individuals or families who do not qualify for AFDC or SSI, such as single individuals or childless couples who are not elderly or disabled. No federal funds are provided for these programs, and no federal standards apply. States and counties can elect to have a fairly extensive GA program, a limited program, or no program at all. The benefit levels provided in general assistance programs tend to be quite meager.

- Some 14 states have statewide General Assistance programs for certain categories of people not eligible for AFDC and SSI.[48] In the median

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[47] *Ibid.*, pp. 743-6, and LIHIS, op. cit.

[48] Those states are Alaska, Connecticut, Delaware, Hawaii, Kansas, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Utah.

The GA programs in these states usually do not offer benefits to all low income people who can not qualify for AFDC or SSI. Eligibility generally is restricted to certain categories of non-AFDC, non-SSI recipients. In addition, in some states, some or all of the groups that qualify cannot get benefits year-round. In Pennsylvania, for example, able-bodied GA beneficiaries can receive benefits for only 90 days in a 12-month period.

The Value of AFDC and GA Benefits Will Erode Further in 1991

In response to fiscal problems, many states took action in 1991 to freeze or cut AFDC and General Assistance benefits. Some 31 states froze AFDC benefits, which will erode further in purchasing power as a result. In addition, eight states went beyond this and cut AFDC benefits below their previous levels. Some states also eliminated GA eligibility for entire categories of indigent people, ending the only cash assistance most of these people received. As a result, recipients of public assistance will face even more serious problems in finding decent and affordable housing in coming years.

- In fiscal year 1990, some 22 states either froze or reduced AFDC benefits, while 27 states did so in fiscal year 1991.
- For fiscal year 1992, the number of states freezing or cutting benefits climbed to 40.
- Among the states cutting AFDC benefits is Michigan, where the maximum benefit for a family of three in January 1992 will be nearly 13 percent lower than in January 1991.
- California reduced AFDC benefits 4.5 percent for fiscal year 1991-1992 and also suspended the state's AFDC cost-of-living provision for five years. During this period, the purchasing power of AFDC benefits will fall 21 percent.
- The District of Columbia reduced AFDC benefits 4.4 percent in July 1991 and cancelled the cost-of-living adjustment scheduled for October 1, 1991.
- In Maryland, AFDC benefits were reduced seven percent in December 1991.
- In Tennessee, which already had one of the lowest benefit levels in the nation, AFDC benefits were cut five percent. The maximum benefit for a family of three with no other income is now just $185 per month in Tennessee.
- AFDC benefits were also cut for some or all recipients in Georgia, Maine, New Mexico, and Vermont.

A number of states also reduced their General Assistance programs, either by eliminating benefits entirely for certain groups of recipients, limiting the number of months an eligible person can receive benefits, reducing benefit levels, or some combination of these. Individuals who are removed from a GA program or who face a substantial cut in benefits are likely to be at increased risk of becoming homeless. Many of these individuals have no source of cash income. Among the most serious reductions:

- The Michigan GA program has been eliminated and replaced with two much smaller programs. Some 80,000 to 90,000 low income people formerly receiving GA — the large majority of the state's GA caseload — are now ineligible for any state cash assistance.
- In Ohio, the maximum GA benefit for an individual was reduced by a third, from $148 a month to $100 a month. In addition, eligibility for most GA recipients — about 130,000 people — was limited to six months out of a year.
- In Massachusetts, between one-fourth and one-third of the approximately 38,000 GA recipients will no longer be eligible to receive benefits.
- Other states that reduced benefits or limited eligibility for General Assistance include Arizona, Connecticut, the District of Columbia, Illinois, Kansas, Maine, Maryland, Minnesota, New York, and Washington.

With continued economic stagnation squeezing many state budgets, further AFDC and GA benefit cuts are likely in 1992.

state in this group, the maximum GA benefit for a single individual is $215 a month in 1991.

- In each of these states, the average Fair Market Rent for an efficiency apartment exceeds the maximum GA grant for a single person.[49]

Moreover, these 14 states are among the most generous in assisting poor households that are not eligible for AFDC or SSI. Most other states are more parsimonious in their treatment of these households. Eight states have GA programs restricted to elderly or disabled persons. Fifteen states have county-run GA programs in which benefits vary widely throughout the state; in some of these states, many counties decline to operate any GA program. Two states have GA programs that provide emergency assistance only. Some 13 states have no GA programs or very limited programs.

Property Tax Relief

Among the housing costs that poor households must pay are property taxes. Both renters and homeowners pay these taxes. Renters are affected because landlords generally pass property tax charges through to tenants when setting rent levels.

A number of states have programs to reduce property tax burdens for low income households, often through cash rebate payments. These programs, however, generally provide only modest relief from high property tax burdens.

The most common type of property tax relief is known as a "circuitbreaker" program. Some 31 states and the District of Columbia have circuitbreaker programs, which are most common in states outside the South.

Under a circuitbreaker, low income households generally receive a state rebate if their property taxes are high in relation to their income. The use of the term circuitbreaker is based on an analogy to an electrical circuitbreaker: just as an electrical circuitbreaker shuts off the flow of electricity when it would overburden a circuit, so a property tax circuitbreaker program is supposed to shut off taxes when they would overburden a low income household.

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[49]Information on GA benefit levels was obtained through telephone inquiries to state GA officials.

Some 27 of the 32 states with circuitbreakers cover renters as well as homeowners. States typically specify a percentage of the rental payments that are considered to represent property taxes passed through to the tenant by the landlord.

Circuitbreaker programs have the potential to provide modest help in reducing housing cost burdens for low income households. But circuitbreaker benefits are limited in many states. A majority of states restrict their circuitbreakers to elderly and disabled households, even though poor *non*-elderly households typically pay a larger percentage of income for housing than poor elderly households do. Some 21 of the 32 state circuitbreaker programs restrict eligibility this way.

Among the states with circuitbreakers, five provided average annual benefits of $400 or more in 1989, while 13 states provided average benefits of $200 or less. The remainder provided average benefits of between $200 and $400. (See Table V.)

Table V
Characteristics of Circuitbreakers, 1989

State	Average Annual Benefit
All homeowners and renters covered	
District of Columbia	$360
Kansas*	158
Maine	263
Michigan	423
Minnesota	278
New Jersey	Not available
New York	92
Oregon	210
Vermont	402
Wisconsin	400
All homeowners and elderly and disabled renters covered	
Maryland	477
Elderly homeowners and renters only covered	
Arizona	161
California**	98
Colorado**	381
Connecticut	393
Illinois**	254
Iowa**	206
Missouri	235
Montana	220
Nevada	134
New Mexico	134
North Dakota	245
Pennsylvania**	327
Rhode Island	180
Utah	107
West Virginia	14
Wyoming	541
Elderly homeowners only covered	
Arkansas	122
Idaho**	211
Ohio**	169
Oklahoma**	110
South Dakota**	111

*Persons under age 55 must have a dependent child under 18 to be eligible.

**Also includes disabled people.

Source: Advisory Commission on Intergovernmental Relations, 1991

VI. The National Affordable Housing Act of 1990

The federal government has historically been the principal source of housing assistance for low and moderate income people. Aid has been provided through a variety of programs, including: low rent public housing, inaugurated in 1937; mortgage insurance and subsidy programs, such as Section 236, that offered low-interest rate financing to building owners who agreed to provide apartments at below-market rents to low and moderate income households; and rental assistance programs such as the Section 8 programs, under which a tenant obtains housing in the private market and pays a portion of the rent, with the government paying the remainder up to limits set by HUD for each local area.

In 1990, Congress enacted the National Affordable Housing Act to revitalize efforts to meet the government's 1949 goal to "...provide a decent home in a suitable living environment for every American...." This is the first legislation in more than a decade to bolster federal efforts to address the housing problems of low and moderate income people. It fundamentally changes relationships that have prevailed for decades between housing assistance funders and recipients. It also adds an important new actor to the low income housing scene: state and local governments.

The Act has six distinct themes:

- *Decentralization*: The Act breaks with 50 years of tradition in federal housing programs, assigning a new measure of responsibility for designing and administering housing assistance to state and local governments. This is most evident in the Act's centerpiece, the HOME Investment Partnership Program. Rather than creating strictly defined programs that are uniform throughout the nation, the Act allows states and localities to design programs themselves. In some areas, these new

actors will be well-equipped to take on this challenge. In others, they will not. The HOME program thus presents both serious challenges and opportunities. Congress appropriated $1.5 billion for the HOME program in fiscal year 1992.

- *Emphasis on nonprofit housing sponsors*: The law sets aside funds for housing development and preservation efforts by community-based nonprofit housing groups. It also requires that many of the homes developed under the Act's programs remain affordable for low income families for long periods, regardless of the sponsoring organization or owner. In contrast, several previous federal housing programs allowed private owners to quit the program after a specified period of time, such as 20 years.

- *Empowerment*: The Act contains a number of requirements and incentives designed to link the provision of housing assistance more closely with social services such as job training, day care, and education.

- *Homeownership*: The Act includes at least three programs to help first-time homebuyers, each targeted at different population groups and including different restrictions. While homeownership for low and moderate income people holds considerable potential as a component of federal housing policy, it also raises significant questions. Some have expressed doubt about the ability of very low income families to move directly into homeownership.

- *Preservation*: The Act includes significant protections for residents of privately-owned subsidized housing who might be forced out of their homes if the current property owners quit the federal subsidy program. The Act encourages owners to remain in these programs through generous new financial incentives. The Act also offers funds to new owners who acquire these properties if they agree to maintain their low income character.

- *Cost sharing*: Nearly all of the law's new programs require some degree of cost sharing by state and local governments and nonprofit organizations. These requirements are intended to promote a sense of partnership and shared responsibility for the development of affordable housing. In addition, the matching requirements reflect congressional concern that new federal funds not displace available state or local funds for low income housing programs. The matching requirement forces a modest "maintenance of effort" by participating jurisdictions. Match requirements, however, may prove to be a burden some potential

recipients choose not to shoulder, potentially preventing federal assistance from serving low income people in those areas.[50]

These six themes are reflected in various initiatives in the 1990 Act.[51] The initiatives represent the first progressive housing policies enacted since 1974. They will make more flexible tools available to government, for-profit, and nonprofit groups to address the severe housing conditions facing low income households.[52]

The new programs are inadequate, however, to address the mismatch between the incomes and the housing costs of millions of very low income renters. The Act retains the Section 8 Certificate and Voucher programs, which most directly address this need. But even if the full amount authorized under the Act were appropriated, this would provide Section 8 assistance to only 90,000 additional households each year, at a time when 5.1 million renter households eligible for housing assistance have "worst case housing needs."[53] The Act generally fails to authorize sufficient funding to make more than a modest yearly dent in the housing assistance needs of very low income renters.

Comprehensive Housing Affordability Strategies

The new programs in the 1990 Act require that applicants prepare a new planning document: the Comprehensive Housing Affordability Strategy, or CHAS. This is supposed to outline a jurisdiction's housing needs and plans for the next five years and is supposed to be updated annually.[54] The CHAS replaces requirements

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[50]The fiscal year 1992 appropriation for HUD includes a one-year waiver of the match requirement in the HOME program. This matching requirement should take effect in fiscal year 1993.

[51]For a more thorough description of these programs, consult the *Briefing Book on the 1990 Housing Act* published by the Low Income Housing Information Service, January 1991.

[52]The National Affordable Housing Act of 1990 includes many other initiatives and changes in existing programs, which are too numerous to explain in detail. Among the other areas covered in the Act are: the homeless assistance programs authorized under the McKinney Act and other programs; administration of the comprehensive modernization program for low rent public housing; the general public housing and Indian housing programs; the rural housing assistance programs of the Farmers Home Administration; and the Section 8 Rental Certificate and Rental Voucher programs.

[53]As defined by HUD, these are renter households with incomes below 50 percent of the area median who are either paying half or more of their income for housing, living in severely substandard housing, or both.

[54]Applicants for HOME funds, any funding through the McKinney Act homeless programs, Community Development Block Grants, Section 202 housing for the elderly or disabled, preservation funds under Title VI, and HOPE grants for homeownership must have a CHAS to receive these funds.

VIII. The Housing Problems of Black and Hispanic Households

Black and Hispanic households face particularly severe housing problems. They are more likely to have excessive housing cost burdens and to live in substandard or overcrowded housing than are White households. Blacks and Hispanics are also less likely than Whites to own their homes. Moreover, the housing problems of Blacks and Hispanics intensified more from 1978 to 1989 than did the housing problems of Whites.[63]

Housing Cost Burdens

Black and Hispanic households are more likely to bear high housing cost burdens than White households.

- In 1989, some 39 percent of the 10.6 million Black households — including both poor and non-poor households — paid at least 30 percent of their income for housing, or more than would be considered affordable under the federal standard.

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[63]The published American Housing Survey provides detailed information on Black and Hispanic households, but not on white households. The figures presented here for White households actually refer to all non-Black, non-Hispanic households. According to AHS data, 97 percent of these households are White. The remaining three percent include those of Asian, Pacific Islander, American Indian, Aleut, and Eskimo descent, as well as a number of other racial and ethnic groups.

This report adopts the terms "White," "Black," and "Hispanic" to be consistent with the American Housing Survey and other Census Bureau documents.

for a Housing Assistance Plan in the Community Development Block Grant program and a Comprehensive Homeless Assistance Plan under the McKinney Act programs.

Such requirements are not new. What is changed in the 1990 Act is the degree to which housing program funds will flow directly to the government agencies that draw up the plans. In the past, state or local governments drew up needs assessments and plans, but federal agencies allocated the funds and designed the programs. There was often a wide gulf between the locally articulated needs and the tools made available, and plans were rarely used to their potential. The 1990 Act redresses the disconnection between planning and implementation that plagued earlier efforts.

Because the Act calls for community input in preparing the CHAS, it offers citizens a new opportunity to influence state and local government priorities for using housing assistance funds. The CHAS also will provide a road map for monitoring local efforts, since jurisdictions must document how federal funds are meeting the needs outlined in the CHAS. The comprehensive nature of these plans — and the authority given to those preparing them — make the CHAS one of the Act's most important changes in federal housing policy.

HOME Investment Partnership Grants

The centerpiece of the National Affordable Housing Act of 1990 is the HOME program. First proposed by the National Housing Task Force in 1988, this direct grant program is authorized to provide up to $2 billion a year in federal assistance to states and qualifying local jurisdictions.[55]

HOME funds can be used for either rental housing or homeownership programs and are extremely flexible. They can provide direct rental assistance to tenants, grants or low-interest loans, and be used for other purposes approved by HUD.

All HOME funds must be used to provide affordable housing to households with incomes not greater than 80 percent of the area median income, or AMI. At least 90 percent of the funds used for rental housing must benefit households below 60 percent of the AMI.[56] Rental units constructed or rehabilitated with HOME

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[55]Funds will be allocated through a formula based on a variety of factors.

[56]Additional targeting requirements apply to specific rental projects supported with HOME funds. The targeting requirements permit more households with higher incomes to be served than in programs like public

(continued...)

funds must be available for low and moderate income use for their remaining useful life. Homeownership programs must include certain use and resale restrictions to qualify for HOME funds. For example, a home purchased by a low income family with subsidies from the HOME program may be sold only to another qualifying low income family.

States and other jurisdictions participating in the HOME program must match federal funds on a sliding scale. The largest match is for new construction. Moderate rehabilitation and direct assistance to renters require the smallest matching contributions.

Community Housing Partnerships

At least 15 percent of HOME funds must be used in projects sponsored by "community housing development organizations," or neighborhood-based nonprofits. A portion of these set-aside funds can be used at a jurisdiction's discretion for technical assistance and training for CHDOs, as well as for up-front costs incurred in planning a project.

The combination of the highly flexible HOME grants and the set aside for CHDOs offers an unprecedented opportunity for local innovation. Since public housing was enacted in 1937, federal housing programs have been highly centralized. Control over program design rested largely with HUD and its predecessors. Tailoring of programs to meet local needs was the exception, not the rule. When housing programs began to emphasize private ownership in the 1960s, centralized, standard programs were again the rule. Strong centralized standards were consistently justified on the grounds that reaching a critical volume of production or renovation throughout the country required a standard product that would look the same, feel the same, and work the same everywhere. The drawbacks of this system were rigidity in program design, an overwhelming emphasis on program efforts tailored to satisfy producers — as opposed to consumers or the communities — and difficulty in meeting local needs. Now the emphasis on centralization is being replaced with opportunities for state and local actors to shape their own programs.

The Act's emphasis on community-based housing organizations is particularly significant. It was driven in part by congressional concern over previous programs that relied too heavily on for-profit ownership and resulted in an uncertain future for low income renters. The new law also recognizes the expanded role of community-based organizations in housing development and preservation in the wake of

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[56](...continued)

housing or Section 8. Since serious housing needs are most widespread among those with the lowest incomes, these looser targeting requirements are a significant source of concern.

retrenchments in federal housing assistance and a sharp reduction in private low income housing development following the 1986 Tax Reform Act.[57]

These changes should foster a growing nonprofit housing development sector in many communities. In a number of communities, a vibrant and capable nonprofit sector already exists to take advantage of the new opportunities the Act creates. In other areas, fostering such a sector and nurturing its growth will take substantial effort.

Homeownership Opportunities for People Everywhere (HOPE)

HOME funds can finance homeownership efforts at state and local levels. The Act also includes a major new program to facilitate homeownership by low income people through the sale of publicly owned or held homes to their current residents or to other low income people. The program is known as the Homeownership Opportunities for People Everywhere (HOPE) program.

HOPE has four separate components. HOPE I finances sales of public housing apartment buildings to residents. HOPE II finances sales to low income households of other apartment buildings held by the federal government, such as property acquired from failed savings and loans or properties on which HUD or the Federal Housing Administration has foreclosed. HOPE III finances sales of single-family homes owned by federal, state, or local governments. HOPE IV is not a homeownership program, but an effort to combine social services with housing assistance to elderly households that would otherwise not be able to live independently. Nearly $1 billion is authorized for HOPE I, II, and III in the 1990 Act.[58]

The HOPE I, II, and III programs offer both planning and implementation grants to public housing tenant groups and other nonprofits to plan and carry out home purchases. "Use restrictions" on the homes once they are sold are not very stringent. After five years, owners are largely free to dispose of the homes as they wish. If homes purchased by low income families through HOPE are sold within 20 years, however, a portion of the initial subsidy must be repaid.

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[57]The 1986 Tax Reform Act substantially limited tax deductions for investments in real estate, including low income housing. While these restrictions were replaced by a new tax credit, the Low Income Housing Tax Credit, total private investment in affordable housing has declined sharply since 1986.

[58]The fiscal year 1992 appropriation includes $161 million for HOPE I and $95 million each for HOPE II and III. HOPE IV received $10 million.

While homeownership should be an important component of any policy to help low income people improve their housing conditions, the HOPE programs have several potential drawbacks. Because they specifically target publicly owned housing units, HOPE can threaten the long-term availability of affordable rental housing for very low income people. If public housing units are sold off, there may be fewer units available for households that are currently on waiting lists or that become poor in future years. In addition, because the HOPE programs are designed to offer homeownership to very low income renters, critics fear they may place some households that are unprepared to handle unanticipated financial difficulties in precarious positions.

Low Income Housing Preservation

Title VI of the 1990 Act is an effort to protect hundreds of thousands of residents in HUD-subsidized, privately owned apartment buildings from displacement through sale or conversion of their buildings. Under some federal housing programs established in the 1960s, private owners received mortgage insurance and mortgage subsidies to finance rental housing for low and moderate income residents. In many cases, HUD offered these owners an option to "prepay" — or pay off — their mortgages without HUD approval after 20 years. Owners prepaying their mortgages were freed of further obligations to reserve their units for low and moderate income tenants. In the mid-1980s, owners began exercising this option, which led to displacement of low income tenants. In 1987, Congress temporarily barred prepayments without HUD approval. This set the stage for a more permanent solution, embodied in the Low Income Housing Preservation and Resident Homeownership Act of 1990, Title VI of the National Affordable Housing Act.

This issue is not trivial. The Congressional Budget Office estimated in 1989 that as many as 300,000 homes would be jeopardized unless Congress acted. A 1988 report by the National Low Income Housing Preservation Commission estimated that more than 90 percent of the residents in the threatened units had incomes at or below 80 percent of area median income — and that more than 70 percent of these residents had incomes below 50 percent of the area median.

The 1990 Act does not prohibit prepayment under all circumstances. No owners may prepay a mortgage or terminate mortgage insurance, however, without HUD approval. And except in very limited situations, HUD will not approve a prepayment.

When prepayment is not approved, owners have the option of seeking additional financial incentives to remain in the program or selling the property to

new owners who qualify for the financial incentives and agree to maintain the project's low income use restrictions.

The Act thus strikes a balance between protecting both the tenants for whom the federal subsidies were designed and providing owners a reasonable return on their investments. Owners are entitled to new subsidies that will yield a fixed return on a newly computed "preservation (or sale) value," to be determined by independent appraisals. In return for these incentives, owners must agree to preserve the property's affordable nature for its "remaining useful life" or no less than 50 additional years.[59]

Empowerment and Service Coordination Initiatives

One of the 1990 Act's themes is "empowerment." The most obvious place where this theme is emphasized is in the HOPE initiatives. But empowerment is also a powerful theme in the public housing programs, where the Act added several initiatives to forge a closer link between housing assistance and other social services.

The Family Self-Sufficiency program is the Act's major effort to link these services. Starting in fiscal year 1992, public housing authorities must have programs in place that offer residents access to coordinated social services to assist them in gaining employment. Participating families must complete the requirements of these programs; failure to remain in or complete a program can result in the loss of housing assistance. In return, as a participant's income increases, the money normally contributed toward a higher rent — since rents for public housing tenants are set as a percentage of their income — will be placed instead in a special escrow account tenants can use to purchase a home.

This new program is controversial for several reasons. One is the requirement to meet various obligations under social service programs to continue receiving subsidized housing assistance. Also, housing authorities are provided with no additional funds to create and coordinate these new service programs. Housing authorities themselves do not run most social service programs. They must rely on the cooperation of city, county, and state agencies, which may be difficult to obtain.

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[59]Owners can escape any further regulation or obligation if HUD and Congress fail to make sufficient funds available within certain time periods to finance the incentives. Also, if an owner offers a property for sale and no group emerges to offer a fair price, prepayment could occur. If an owner does prepay a mortgage and quit the subsidy program, residents of that property will be provided with Section 8 subsidies, enabling them to find affordable replacement housing.

Still, it has been widely recognized that many low income residents need more than housing assistance to overcome a lack of education and job skills and to increase economic self-sufficiency. The Family Self-Sufficiency Act represents one effort to begin addressing these problems.

The Act also includes modest funds to create "Family Investment Centers" in or near public housing projects where social services will be provided. These centers will be based on models developed in recent years in Baltimore and other cities.

VII. Obstacles to Expanding Housing Assistance

The major limitation of the National Affordable Housing Act is that the funding levels it authorizes are sufficient to assist only a small fraction of the very low income households in need of aid. But this is not the only concern. In coming years, the Act — along with other developments in low income housing — may lead to intense competition among housing programs for limited resources, with some of the new programs pitted against other important housing programs.

For example, the Act includes provisions to protect most residents of privately owned subsidized apartment buildings who might be displaced if the building owners quit the federal subsidy program. Implementing these provisions will be costly. To maintain these buildings as subsidized housing, the Act offers substantial new subsidies to the owners or those who purchase the buildings and agree to preserve the low income housing units. Billions of dollars will be needed for this purpose over the next several years.

At the same time, much of the nation's subsidized housing badly needs renovation, due to underfunded repair and maintenance programs. As much as $20 billion is needed to make major repairs in public housing units, while additional amounts are needed for repairs in privately owned subsidized housing projects. Without such funds, owners may abandon some privately owned subsidized housing, while many public housing units may become or remain vacant — and therefore unavailable to needy families.

If the funds needed to preserve public and privately-owned subsidized homes are not provided, the supply of habitable subsidized housing will shrink. Yet, if these matters are addressed and the funds provided, the funds available for other key

housing programs, especially efforts to extend housing assistance to additional poor families, are likely to be squeezed further.

In addition, the major new program created by the National Affordable Housing Act — the HOME program — targets funds to somewhat higher income groups than other key subsidized housing programs. Given the limited funds available for low income housing, new programs such as HOME may draw funds away from programs that serve a poorer clientele — thus potentially reducing the proportion of federal housing assistance used to serve the poorest families.

Prepayments and Expiring Use Restrictions

The provisions of the new Act designed to protect tenants of HUD-subsidized, privately owned apartment buildings from displacement will entail significant cost. The Congressional Budget Office has estimated that, in the absence of such provisions, owners of buildings containing more than 300,000 units would attempt to "prepay" their mortgages and leave their housing subsidy program. HUD estimates $2.9 billion will be needed in fiscal year 1993 to keep such owners in the subsidy program, with similar amounts likely for several more years.[60]

If Congress fails to appropriate funds for these incentives, some owners will have the right to leave the program and displace their tenants. As a result, Congress will feel strong pressure to place this funding need ahead of other items in the housing budget. Funding to maintain these apartment buildings as affordable housing is certain to be a congressional priority.

The provisions of the National Affordable Housing Act containing these incentives represent a compromise between the rights of owners to do as they wish with their properties and the needs of low income residents who often have few alternatives should they be displaced. The compromise will still allow some owners to leave the subsidy program and displace some residents. In these cases, the displaced tenants will receive other forms of federal housing assistance, such as a Section 8 certificate or voucher allowing them to choose an apartment from the private market, with the government paying a portion of the rent. Many displaced families, however, may face serious difficulty finding decent housing that meets the Section 8 program criteria.

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[60]In fiscal year 1992, the first year of the new incentives program, $618 million was appropriated for it. Starting in fiscal year 1993, funding needs in this program will rise substantially.

Preservation of Aging Buildings

Much of the nation's subsidized housing stock is old, deteriorating, and in need of modernization.

About 1.3 million units are held in the nation's public housing stock. HUD provides operating subsidies to local public housing authorities to make up the difference between what residents pay for rent — 30 percent of their adjusted income — and the actual costs of operating the units. The combination of these subsidies and the rents is supposed to enable the PHAs to provide ongoing services, routine maintenance, and administration. These funds are not adequate, however, to finance major repairs. As a result, many public housing projects have deteriorated.

A 1988 study conducted by Abt Associates for HUD found:

- More than half of public housing households now live in projects needing moderate to substantial rehabilitation just to meet HUD's own mandatory quality standards.

- The costs for major repairs, such as roofs and boilers, needed to bring public housing up to these standards exceeded $20 billion, in 1986 dollars.

For fiscal year 1992, however, Congress appropriated just $2.8 billion to provide grants to PHAs to pay for major repairs.

Many *privately owned* subsidized housing projects also face significant renovation needs. Federal funds to pay for these improvements are limited. Yet owners have few incentives to repair the projects themselves, both because profits are restricted by limits on rents and because the 1986 Tax Reform Act eliminated many of the tax benefits associated with such investments. A 1988 study estimated that $4.5 billion would be needed through the end of the century to pay for repairs and additional subsidies in the privately owned subsidized housing stock.[61]

Without direct federal subsidies or tax incentives to finance repairs, many of these privately owned projects will continue to deteriorate. Some owners may decide to default on their HUD-insured mortgages. Congress faces a major challenge in the next several years to fashion a sensible and cost-effective way to fund these repairs.

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[61] *Preventing the Disappearance of Low Income Housing*, The National Low Income Housing Preservation Commission, 1988.

Expiring Section 8 Contracts

The Section 8 program[62] is the largest single federal housing assistance program, providing housing subsidies to more than two million households. Under Section 8, the government pays a housing owner the difference between a negotiated "contract rent" and 30 percent of a resident's adjusted income.

The Section 8 programs include the Rental Certificate and Rental Voucher programs. Both provide assistance that is tenant controlled — that is, households receive either a certificate or voucher and may use it to subsidize the rent on any home that meets federal quality standards, has a rent within HUD limits, and has a landlord willing to participate in the program. If a tenant chooses to move, the subsidy remains with the tenant. This contrasts with most other federal housing programs, including other parts of Section 8, where subsidies are allocated to a particular unit, which must be rented to an income-eligible household.

The Section 8 program was first authorized in 1974 and began full-scale operations in 1976. During the 1990s, millions of contracts with public housing authorities and private owners will expire, requiring Congressional action to prevent low income residents from losing their housing assistance. In fiscal year 1992, Congress appropriated $7.3 billion to renew contracts on 250,389 units. The chart on the next page shows HUD's estimate of the funds needed over the next four years to renew these contracts.

Table VI
Funding Required to Renew Expiring Housing Subsidy Contracts

Fiscal Year	Units with Expiring Contracts	Funds Needed to Renew the Contracts (in billions of dollars)
1993	197,416	$5.8
1994	173,401	5.3
1995	222,023	7.0
1996	367,840	11.7
Total	960,680	$29.8

[62]Named after Section 8 of the U.S. Housing Act of 1937, Section 8 originally contained several parts: new construction and substantial rehabilitation assistance; moderate rehabilitation assistance; and existing housing certificates. New construction and substantial rehabilitation programs were repealed in 1981. The moderate rehabilitation program today is only a small, very specialized program to renovate single-room occupancy homes for single adults. The Section 8 Certificate program continues and now also includes the Section 8 Voucher program.

Pressures Limiting Funds for New Housing Assistance

Under today's budget constraints, the increasing demands for contract renewals, prepayment incentives, and modernization and rehabilitation now threaten funding to assist additional households that do not receive housing assistance. During the latter half of the 1970s, about 80 percent of HUD appropriations were devoted to providing housing assistance to households not already receiving it. The remaining 20 percent paid for renewals, adjustments, and other financing for those already receiving assistance. By fiscal year 1992, this proportion has been reversed. Fully 80 percent of the fiscal year 1992 HUD appropriations are devoted to maintaining existing subsidy commitments, while only 20 percent is available to increase the overall number of households receiving assistance. Given the huge demands that contract renewals, modernization, and prepayment incentives will make, Congress will be forced to make difficult choices.

The Impact of the Budget Agreement

Funds for housing assistance may also be limited in the next few years by the Budget Enforcement Act of 1990, which limits total spending for non-entitlement programs through fiscal year 1995.

This Act embodies the budget agreement negotiated by Congress and the White House in October 1990. It established ceilings on the total amounts that can be appropriated for domestic non-entitlement programs in fiscal years 1992 and 1993. During these years, there are "walls" between defense and domestic non-entitlement programs that prevent any funds from being moved from defense to domestic programs.

In the following two years, the walls between these spending categories are removed, and one overall ceiling is set for all non-entitlement programs — including both defense and domestic programs. This will allow funds to be shifted from defense to domestic programs. The overall ceilings for FY 1994 and FY 1995, however, are extremely tight. In fact, unless much deeper reductions are made in the defense budget than the Bush Administration now contemplates, a substantial new round of cuts in domestic non-entitlement programs will be necessary to comply with the budget ceilings. Total funding for domestic non-entitlement programs will probably have to be reduced in FY 1993, as well, to fit within the domestic budget ceiling for that year.

These limitations are likely to prevent low income housing programs from growing significantly in the next few years and to intensify the competition among housing programs for limited resources.

Other Pressures on Low Income Housing Programs

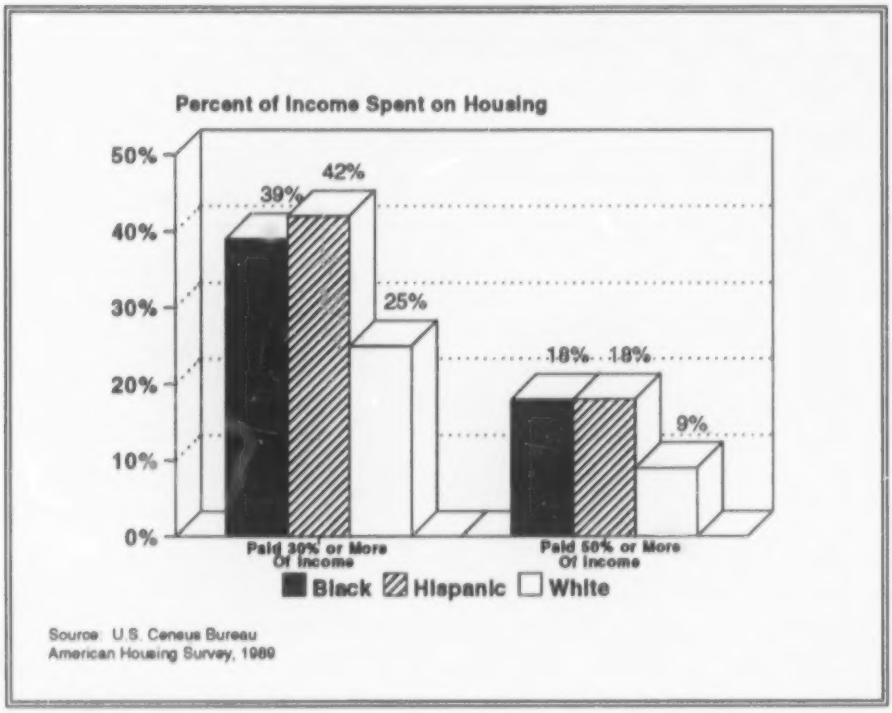
These choices will be made more difficult by the range of new programs in the National Affordable Housing Act. The Act's centerpiece, the HOME program, is likely to direct funds to higher income groups than programs like public housing or Section 8.

All HOME funds must serve households with incomes at or below 80 percent of the median income in their area. Some 90 percent of HOME funds used for rental housing must benefit those with incomes at or below 60 percent of the area median income.

Public housing, on the other hand, primarily serves those whose incomes do not exceed 50 percent of the area median income, and many households in public housing have incomes substantially lower than this. Section 8 is similar; it, too, primarily serves very low income households. While Congress relaxed the targeting for both public housing and Section 8 somewhat in the 1990 Act, both programs are more clearly aimed at the lowest income residents than is the HOME program.

The increasing pressures to preserve the subsidized housing stock, combined with the limited availability of funds for housing, will confront Congress with a difficult series of decisions. Popular new programs like HOME that provide funds directly to state and local governments will be pitted against programs like Section 8 and public housing that serve a lower income group. A possible effect could be to reduce the proportion of federal housing assistance that reaches very low income households. If funding gravitates to programs focused less sharply on those with the lowest incomes, some poor households could suffer.

Figure 6
Housing Cost Burdens By Race/Ethnicity, 1989



- Similarly, some 42 percent of the 6.2 million Hispanic households spent at least 30 percent of their income on housing.[64]

- In contrast, 25 percent of the 76.8 million White households spent 30 percent or more of their income on housing.

A similar pattern emerges for households bearing extremely high housing cost burdens. Some 18 percent of all Black and Hispanic households paid at least 50 percent of their income for housing in 1989, compared with nine percent of all White households. (See Figure 6.)

The higher housing cost burdens of Black and Hispanic households reflect, in large part, the fact that Blacks and Hispanics are much more likely than Whites to be poor and therefore to be affected by the high housing cost burdens associated with

[64] Of 16.7 million Black and Hispanic households in 1989, the AHS counted 164,000, or one percent, as both Black and Hispanic.

poverty. The housing cost burdens faced by *poor* White households, however, are just as severe as those faced by *poor* Black and Hispanics.

In 1989, some 30 percent of Black households were poor, as were 22 percent of Hispanic households. Some 10 percent of White households had income below the poverty line.[65]

Homeownership Low Among Black and Hispanic Households

Black and Hispanic households are less likely to own their homes than White households. This further contributes to their higher housing cost burdens, since at income levels below $40,000, renters typically have higher housing cost burdens than homeowners.

- Some 43 percent of all Black households owned their homes in 1989. Similarly, 40 percent of all Hispanic households were homeowners.

- By contrast, more than two-thirds of all White households — 69 percent — owned their homes in 1989. Thus, while a majority of Blacks and Hispanics are renters, most Whites are homeowners.

- Moreover, the proportion of *poor* White households that owned their homes — 48 percent — is greater than the proportion of *all* Black and Hispanic households, including both poor and non-poor, that are homeowners.

According to a recent U.S. Census Bureau study, only a small percentage of renter households of any racial or ethnic group have sufficient assets and income to purchase the median-priced home in their region of the country, including both the downpayment and the monthly mortgage costs.[66] Nevertheless, the study found vast differences between White and minority renters.

- Nearly one in six White renter households — 15 percent — had sufficient income and assets to purchase the median-priced home in their area in 1988.[67]

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[65]In addition, Blacks and Hispanics who are poor are more likely to remain poor for several years than are Whites. In other words, poverty is more likely to be long-term among Blacks and Hispanics. This probably contributes to the disparities in housing conditions between minority and White households.

[66]United States Department of Commerce, Bureau of the Census, *Who Can Afford to Buy a House?*, May 1991.

[67]The study refers to renters purchasing a home at the median price in their region. In the South and Midwest, the median value was $60,000. The median home cost $95,000 in the Northeast and $100,000 in the

(continued...)

- By comparison, only one of every 20 Black renter households — and one of 35 Hispanic renters — could afford to purchase such a home.

- While the median White family — including both renter and homeowner families — had sufficient income and assets to purchase a home priced at $95,500, the median Black and Hispanic families lacked the resources to purchase a home priced at $20,000.

Housing Problems Have Worsened Since 1978

The housing cost burdens of poor Black and Hispanic households have worsened since 1978, when such data were first collected.

- In 1978, some 69 percent of poor Black households paid at least 30 percent of income for housing. By 1989, some 73 percent of poor Blacks paid this much.

- Similarly, between 1978 and 1989, the proportion of poor Hispanic households spending at least 30 percent of income on housing grew from 69 percent to 76 percent.

- In 1978, some 76 percent of poor White households spent at least 30 percent of income on housing. In 1989, some 77 percent of poor White households had housing cost burdens this high.[68]

Similarly, housing cost burdens for *all* Black and Hispanic households — including both poor and non-poor households — rose more rapidly during this period than did the housing cost burdens of White households. Black and Hispanic households were already more likely than White households to bear high housing cost burdens in the late 1970s. Over the subsequent decade, this gap widened further. (See Table VII.)

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[67](...continued)

West. These figures are based on calculations in the study, which assumed the home is purchased using FHA 30-year fixed rate financing. This entails a downpayment of between three percent and five percent.

The Census report notes that most renters -- including Whites, Blacks, and Hispanics — face multiple barriers to buying a home, including insufficient income to meet monthly mortgage payments, insufficient assets to make a downpayment, and excessive debt.

[68]The American Housing Survey data for 1989 are likely to understate increases in housing costs and cost burdens over time. Thus, it is likely that housing cost burdens for poor White households did increase between 1978 and 1989 and that the increases in burdens for poor Black and poor Hispanic households were greater than the figures cited here. (See Appendix for reference.)

Causes of Increasing Housing Cost Burdens

There is a basic reason the housing cost burdens of Black and Hispanic households rose during this period. Between the late 1970s and the late 1980s, these households faced increases in housing costs without comparable increases in their incomes.

Table VII
Changes in Housing Cost Burdens
By Race/Ethnicity, 1978-1989

Paying 30 Percent Or More of Income	Percentage In 1978	Percentage In 1989
POOR HOUSEHOLDS		
Black	68.8%	72.8%
Hispanic	69.2	76.4
White	75.6	76.8
ALL HOUSEHOLDS		
Black	36.6%	38.7%
Hispanic	34.8	41.5
White	25.3	24.8

- The income of the median Black household increased six percent between 1978 and 1989, after adjusting for inflation. But median housing costs among Black households rose 15 percent during this period.

- Median income among Hispanic households grew eight percent between 1978 and 1989, while median housing costs for Hispanics rose 19 percent.

Housing costs also grew for White households, but the increase was not as large. Between 1978 and 1989, median housing costs for White households grew three percent, while the income of the median White household increased seven percent.

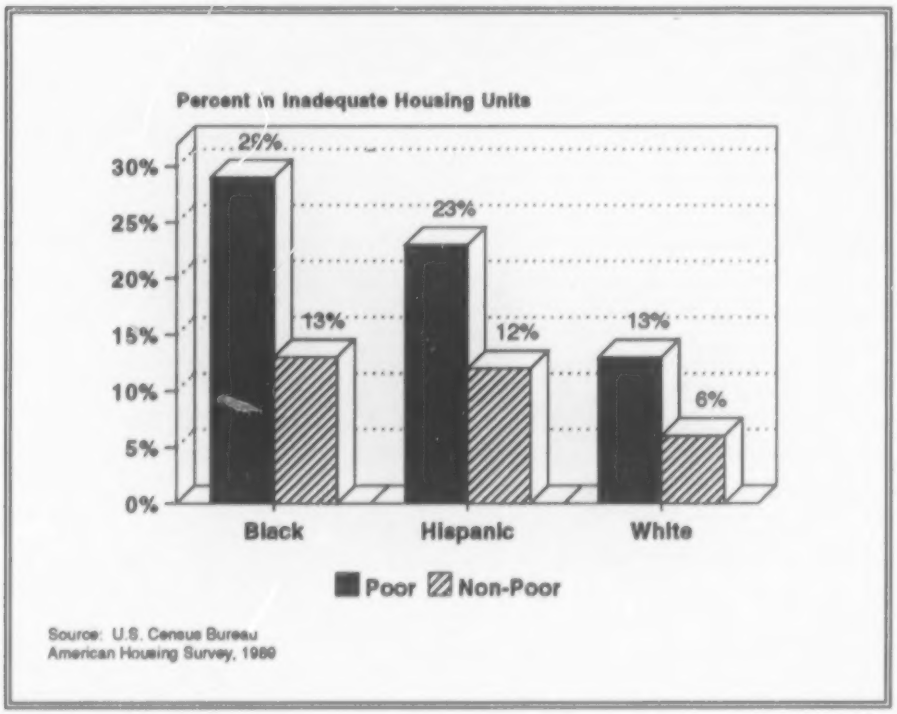
Deficient and Overcrowded Housing Conditions

In addition to facing housing affordability problems, Black and Hispanic households are troubled by physically deficient and overcrowded housing conditions. The housing quality problems faced by these households are more severe than those faced by White households.

- In 1989, one of every five Black renters — 20 percent — occupied moderately or severely deficient housing, as did one in every six Hispanic renters — 17 percent. By contrast, nine percent of White renters lived in physically deficient units.

- Homeowners were less likely to live in deficient conditions than were renters, but here, too, the differences between minority and White households were substantial. Some 15 percent of Black homeowners

Figure 7
Households Living in Inadequate Housing
By Race/Ethnicity, 1989



and 11 percent of Hispanic homeowners occupied deficient units. Five percent of White homeowners lived in deficient conditions.

- Moreover, while Blacks and Hispanics constituted 18 percent of all households, they occupied 37 percent of all deficient housing units, 46 percent of the units with holes in the floor, and 54 percent of the units with rats.

Even among poor households, Blacks and Hispanics were more likely than Whites to live in physically deficient conditions. Some 29 percent of poor Black households — including both renters and homeowners — lived in deficient housing in 1989, as did 23 percent of poor Hispanic households. By comparison, 13 percent of poor Whites lived in such conditions.

In fact, the proportion of *all* Black and Hispanic households living in deficient conditions — 17 percent — was greater than the proportion of *poor* Whites in deficient housing.

Overcrowding was also a significant problem for minority households, particularly Hispanics. Overcrowding is defined as having more than one person per room.

- In 1989, more than one of every four *poor* Hispanic households — 26 percent — lived in overcrowded quarters. In addition, 15 percent of *all* Hispanic households, including both poor and non-poor households — were overcrowded.

- Among *poor* Black households, one of every 11 — or nine percent — lived in overcrowded conditions, as did five percent of *all* Black households.

- By contrast, just one in 25 *poor* White households — four percent — lived in overcrowded conditions in 1989. Just one in 60 of *all* White households experienced this problem.

Poor Hispanics were thus six times as likely to live in overcrowded conditions as poor Whites. Moreover, the proportion of *all* Hispanic households living in overcrowded conditions was more than three times greater than the proportion of *poor* White households in such conditions.

In summary, Black and Hispanic households face substantially greater problems than White households in terms of excessive housing costs and deficient and overcrowded conditions. When only *poor* households are considered, poor Whites bear just as severe housing cost burdens as do poor Blacks and Hispanics — but poor Black and Hispanic households are much more likely to live in deficient or overcrowded conditions. Finally, because Blacks and Hispanics are more than twice as likely to be poor as Whites, they face all of these problems much more frequently than their White counterparts.

IX. The Housing Problems of Elderly, Single-Parent, and Young Households

Because they tend to have very low incomes, elderly, single-parent, and young families often bear high housing cost burdens. Among elderly households, those that are poor and do not own a home face the most serious housing problems. Among young and single-parent families, homeownership rates are very low, and housing cost burdens are typically high.

Elderly Households

In 1989, some 20 million householders in the United States were aged 65 or older. Nearly half of the elderly households consisted of people living alone, most of whom were women.

Elderly households differ from other households in two significant respects. First, elderly households are more likely to have low or moderate incomes than non-elderly households. In 1989, some 39 percent of all elderly people had income below twice the poverty line. In comparison, 31 percent of non-elderly people did.[69]

The Social Security and Supplemental Security Income programs have reduced substantially the number of elderly poor households, but these programs have lifted many elderly people to a level just modestly above the poverty line. Moreover, the poverty line for the elderly is quite low. In 1989, an elderly individual living alone was considered *not* to be poor if her or his income exceeded $5,947. Thus, many

[69]Income among elderly households in the American Housing Survey appears to be underreported. Thus, the data cited here are from the Census Bureau's primary income survey, the Current Population Survey.

elderly people with incomes between 100 percent and 200 percent of the poverty line still experience financial problems.

Elderly households also are more likely to own their homes than non-elderly households. In 1989, some 76 percent of all elderly households were homeowners, compared with 61 percent of non-elderly households.

This difference in homeownership rates is most striking among poor households. Three of every five poor elderly households — 62 percent — were homeowners in 1989. By comparison, fewer than one in three poor non-elderly households — 30 percent — owned their homes.

Table VIII
Homeownership Among Elderly and Non-Elderly Households, 1989

	Elderly	Non-Elderly
Home Ownership	76.2%	60.6%
Ownership Among Poor	61.7%	30.1%

Furthermore, elderly homeowners were much more likely to own their homes free of mortgage liabilities. Of all elderly homeowners — including both poor and non-poor households — 82 percent had paid off their mortgages. Just 29 percent of non-elderly homeowners owned their homes free of mortgage liabilities.

The Housing Problems of the Elderly Poor

Those elderly households that are poor bear sharply higher housing cost burdens than elderly people who do not live in poverty.

- In 1989, two of three poor elderly households — 68 percent — spent at least 30 percent of their income on housing. In contrast, 23 percent of *non-poor* elderly households bore housing cost burdens of this magnitude.

- Similarly, 41 percent of poor elderly households spent at least half of their income on housing costs, while only eight percent of non-poor elderly households spent this much.

Yet the housing cost burdens of the elderly poor, substantial as they are, are still smaller than those borne by the non-elderly poor. In 1989, the median poor elderly household spent 41 percent of its income on housing. The median poor non-elderly household spent 56 percent.

In part, the lower housing cost burdens of elderly poor households reflect their relatively high rate of homeownership and of ownership free of mortgage liabilities. Also, the incomes of the elderly poor generally do not fall as far below the poverty line as do the incomes of the non-elderly poor.

Moreover, low income elderly renters are more likely than other poor households to receive housing assistance. This may stem from housing subsidy programs that have favored the production of housing for the elderly. Elderly households constituted 27 percent of all very low income renters in 1988, but made up 36 percent of the households receiving housing assistance. Nevertheless, nearly two-thirds of very low income elderly renters receive no government housing assistance.

In addition to facing substantial housing cost burdens, a significant number of poor elderly households live in substandard conditions. Nearly one in six poor elderly households — 16 percent — occupied substandard housing in 1989. Just six percent of *non-poor* elderly households lived in these conditions.

Elderly Renters and Homeowners: A Comparison

In 1989, five million of the 20 million elderly households were renters. While renters constitute a minority of the elderly households, their problems are substantial.

The median income of elderly renter households was only $9,089 in 1989, slightly more than half the median income of elderly homeowners which stood at $16,046. Furthermore, even though the incomes of elderly renters were low, they faced much higher housing costs than elderly homeowners.

- In 1989, the median housing costs for elderly homeowners was $217 a month.

- Median housing costs among elderly renters was $326 a month, or 50 percent more than this.

As a result, the housing cost burdens of elderly renters are much higher than those of elderly homeowners.

- More than three of every five elderly renters — including both poor and non-poor renters — spent at least 30 percent of income on rent and utilities in 1989. Fewer than one in four elderly homeowners spent this much.

- Similarly, three of 10 elderly renters — 29 percent — spent at least *half* of their income for housing. Only nine percent of elderly homeowners had housing cost burdens this high.

Single-Parent Families

Of the nearly 13 million renter families with children in 1989, four million were single-parent families. These families differ from other households in several ways. First, single-parent families are much less likely than other households to own their homes. In 1989, just 30 percent of single-parent families — including both poor and non-poor families — were homeowners, while 66 percent of other households owned their homes.

Second, single-parent families are more likely than other households to bear high housing cost burdens. In 1989, more than half of the single-parent renter households — 53 percent — spent more than 30 percent of income on housing, compared with 41 percent of other renter households. Similarly, while 31 percent of single-parent renters with children had "priority housing needs" in 1989 — defined by HUD as spending more than 50 percent of income on housing, living in severely substandard housing, or both — just 13 percent of other renter households did.

The greater housing cost burdens of single-parent families reflect, in large part, their low incomes. Poor single-parent families face housing cost burdens similar to those faced by other poor households. But single-parent families are much more likely than other renters to be poor.

- In 1989, some 53 percent of single-parent renter families with children had income below the poverty line.

- In contrast, 18 percent of other renter households were poor that year.

Young Households

Families in which the householder is under age 25 also are likely to face significant housing problems. The median income of these households is quite low and has declined since the 1970s. As a result, many of these households face high housing cost burdens. In addition, only a small fraction of these households own their homes, and the homeownership rate among households of this age was lower in 1989 than in the 1970s.

In 1989, some 53 percent of householders who were 25 or younger spent at least 30 percent of income on housing, thereby exceeding the federal affordability standard. This was higher than among any other age group. In comparison, just 26 percent of other households had housing cost burdens this high.[70]

Also, just 18 percent of young households were homeowners in 1989, compared with 64 percent of all households. Moreover, while homeownership rates have declined for all households under 45, the decline has been greatest among young households.[71]

Even among young married-couples, the homeownership rate has dropped. One of every three young married-couple households — 33 percent — owned a home in 1973. By 1989, just 27 percent of these families were homeowners.

In part, the growing housing problems of young households reflect their declining incomes. In 1988, some 27 percent of young households were poor. In 1974, some 17 percent of young households lived in poverty. During this period, the median income of households headed by someone under age 25 dropped from $17,896 to $12,969, or 28 percent after adjusting for inflation.[72]

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[70]The higher housing cost burdens of young households may reflect, in part, their smaller size. Smaller households tend to spend a larger proportion of income on housing than larger households.

[71]William C. Apgar, et al, *The State of the Nation's Housing: 1990*, the Joint Center for Housing Studies of Harvard University, 1990.

[72]William C. Apgar, et al, *The State of the Nation's Housing: 1988*, the Joint Center for Housing Studies of Harvard University, 1988.

X. Conclusion

Between 1970 and 1983, the gap between the number of low income renter households and the number of low rent units grew dramatically. This resulted from a sharp contraction in the supply of low rent housing, combined with substantial growth in the low income population.

From 1983 to 1989, the nation enjoyed seven years of economic growth, the longest peacetime expansion since the end of World War II. Unfortunately, the lengthy recovery failed to ease the housing crisis among poor households. The shortage of affordable housing was as great in 1989 as in 1983. During this period, the number of low rent housing units continued to decline, while the number of low income renters remained unchanged.

Today, decent and affordable housing is extremely difficult for poor households to locate. In 1989, more than three of every four poor households spent more than 30 percent of income on housing, thereby exceeding the federal housing affordability standard. More than half of all poor households spent more than 50 percent of income on housing.

Poor renter households with very high housing cost burdens are at increased risk of becoming homeless. When housing costs consume such a large share of income, an unexpected medical expense, a delay in a monthly public assistance check, or the loss of a job can lead to a missed rent payment or an unpaid utility bill. Such events, in turn, can lead to eviction or utility shut-offs.

In addition, these very high housing cost burdens have probably intensified related problems such as hunger. The likelihood that a poor household will be without adequate food for part of a month is considerably greater when the

household's rent consumes so much of its income. The household often has too little money left to buy enough food to last throughout the month.

Due to funding limitations, only a little more than one-third of all poor renters receive housing assistance from any governmental source. More than one million households are on waiting lists for housing assistance, and many of them will wait several years before receiving assistance. Significant reductions in funding levels for federal housing assistance programs in the 1980s exacerbated the housing squeeze facing low income Americans.

Reductions in cash assistance to low income households have also hindered the ability of these households to find decent and affordable housing. In many areas, the cost of modest housing exceeds the entire cash assistance grant, even though the grant also must cover the costs of other necessities. In addition, state budget problems are now leading to further sharp cuts in cash assistance in some areas, which can be expected to further intensify the housing squeeze.

In 1990, legislation was enacted providing the broadest changes in federal housing policy since 1974. The National Affordable Housing Act has the potential to revitalize the federal commitment to low income housing. Nevertheless, it appears that the funding levels authorized in the Act will be sufficient to assist only a small fraction of the low income households that are unable to find affordable housing.[73]

The crisis in housing affordability for low income Americans is unlikely to abate without substantial increases in federal support for low income housing initiatives, as well as greater activity on the part of state and local governments, the private sector, and nonprofit organizations.

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[73]The Low Income Housing Information Service supports the creation of an entitlement to housing assistance for low income households. Under this policy, all households meeting eligibility criteria for housing assistance would be entitled to receive such aid.

Appendix

The American Housing Survey Data

This report is based primarily on data from the American Housing Survey for 1989, published by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development. The AHS is the primary source of data on housing conditions in the U.S.

Two matters related to the use of AHS data in this report bear noting. First, the questionnaire used to gather data in the American Housing Survey for 1989 differs from previous questionnaires in several respects, including questions on housing costs and on housing costs as a percentage of income. The revised questions on housing costs result in lower estimates of these costs than the questions used in previous surveys. Consequently, comparisons of published data from the 1989 AHS with AHS data from earlier surveys are likely to understate the growth in housing costs.

Second, data in the American Housing Survey, like nearly all data gathered by the Census Bureau, are derived from interviews with a sample of households, rather than all U.S. households. The findings from the interviews are adjusted with standard statistical methods to yield data for the nation as a whole. Nevertheless, any data based on a sample of households is subject to some potential error. This "sampling error" is large when data are based on a very small sample of households. The American Housing Survey for 1989 provides information on the level of sampling error in the AHS, which is described below.

In addition to addressing these issues, this appendix includes several tables of the 1989 American Housing Survey data which present a fairly complete, though not exhaustive, compilation of the data cited in this report.

Changes in the American Housing Survey

Modifications in the American Housing Survey questionnaire for 1989 include two changes in questions on housing costs as well as one change in a question on housing costs as a percentage of income. The changes in questions on housing costs appear to improve the quality of the AHS data. Unfortunately, the change in the question on housing costs as a percentage of income seems to lessen the data's accuracy.

Utility Costs: Before 1989, data on gas and electricity costs were based on estimates provided by survey respondents. In 1989, the survey was changed to obtain data on *actual* gas and electric bills for several months of the previous year. If respondents were unable to provide records of utility costs, the estimates they provided were adjusted to be consistent with the U.S. Energy Department's Residential Energy Consumption Survey, which collects data on utility expenses from utility companies. Thus, the new AHS method to determine gas and electric costs relies more heavily on documentation than the previous method did. It should be more accurate.

Housing Costs for Assisted Households: An attempt was made to improve the measurement of rental costs for households that live in subsidized housing. In AHS questionnaires prior to 1989, the question regarding their rental costs was ambiguous. Some of these households reported the total rent of the unit, while others reported the amount they paid. To obtain data on rents actually paid, the AHS questionnaire was amended to ask renters living in subsidized housing about the rent they *pay*, in addition to a question on the total rent of the unit.

This should result in more accurate data on the rent paid by households receiving housing subsidies. Nevertheless, the data gathered from this question in the 1989 questionnaire appear to be of mixed quality, suggesting that the wording and presentation of this question need to be refined in future surveys. For example, while this question was asked of all households living in subsidized housing, only one third of these households answered the question. In addition, the previous question regarding rent levels — which is retained in the 1989 AHS — better reflects the costs of housing in the private market, since it deals with the units' actual costs.

Income: Prior to 1989, respondents were asked their income for the previous 12 months. In 1989, respondents were also asked whether their income in the current month differed from their income over the past year. Those whose current monthly

income was different from their average monthly income for the prior year were asked to estimate their income for the coming 12 months. This expected income — identified in the survey as "current income" — was then used in the published AHS data to calculate housing costs as a percentage of income. An appendix to the American Housing Survey explains that "it is felt that respondents who have only recently entered the job market and those who change jobs during the past year often report a previous year's income which is too low to accurately reflect their current financial situation..."

The current income measure is less precise, however, and may well be less accurate than use of prior-year income information. While income in a previous year can be documented, income for the coming year can only be estimated. Such an estimate may be incorrect because of unforeseen factors that affect income — such as a serious illness that turns out to prevent someone from working, the unanticipated loss of a job, or a promotion. An estimate of future income may reflect optimism or pessimism not supported by evidence.

Furthermore, an individual who recently experienced a large increase or decrease in income may move to a more or less expensive housing unit as a result of the change in income. This raises further questions about use of the "current income measure" in calculating housing costs as a percentage of income.

Data In This Report: The data cited in this report reflect the modifications in the questionnaire regarding both actual utility costs and rental costs paid by households receiving rental subsidies. In some cases, rent data under the previous measure are used to provide a sense of the supply of low rent housing in the private market. For calculations of housing costs as a percentage of income, this report uses data on actual household income over the previous 12 months, as the earlier AHS surveys do, rather than data on forecasts of income for the coming year.

The effect of these changes is to provide somewhat lower estimates of the housing costs of the low income population.

Sampling Error in the American Housing Survey

Data in the American Housing Survey are based on a sample of nearly 45,000 households surveyed between July and December 1989. Because these national data are derived from a sample of U.S. households, the data are subject to a some error. As explained in the AHS for 1989:

> the particular sample used for this survey is only one of a large number of possible samples that could have been selected using the same sample design. Even if all interviewing conditions were the same, estimates from each of the samples would differ from each other. The amount by which the estimates from all possible samples differ from one another is known as the sampling error. [p. App-62]

The American Housing Survey publication provides methods for estimating the sampling error — or confidence interval — of the AHS data. For example, the percentage of American householders who own their homes — 64 percent — has a confidence interval of 0.5 percent, which means that the actual percentage of households that own their homes falls between 63.5 percent and 64.5 percent.[74]

In general, the confidence interval is smaller when the data are derived from a large portion of the sample, such as *all* homeowner households, than when the data are derived from a smaller sample, such as *poor* homeowner households. For example, the percentage of poor households that own their homes — 39.7 percent — has a sampling error of 1.2 percentage points, so that the actual percentage of poor households that own their homes falls between 38.5 percent and 40.9 percent.

In examining the data presented in this report, a slight difference between two figures should not be accepted as an actual difference; the difference could disappear when the confidence intervals are considered. This is especially true when the data reflect a small segment of the total population. For example, the AHS data show that 81 percent of poor households in the West spent 30 percent or more of income on housing in 1989, while 78 percent of poor households in the Midwest spent this much. The confidence intervals indicate that the figure for poor households in the West falls between 79 percent and 83 percent, while the figure for poor households in the Midwest falls between 77 and 80 percent. As a result, there may not be an actual difference between the housing cost burdens of poor households in the West and the burdens of poor households in the Midwest.

[74]Following the methods described in the American Housing Survey for 1989, the figures presented here are at the "90 percent confidence interval." This means that there is a 90 percent chance the correct figure falls within the range specified by the confidence interval.

Table IX
Housing Cost Burdens, 1989

	Households Paying at Least 30% of Income (In Thousands)	Households Paying at Least 30% of Income (Percentage)	Households Paying at Least 50% of Income (In Thousands)	Households Paying at Least 50% of Income (Percentage)
All Households				
All	23,341	28%	9,223	11%
White	17,251	25	6,513	9
Black	3,732	39	1,683	18
Hispanic	2,358	42	1,027	18
Poor Households				
All	7,900	76	5,298	51
White	4,991	77	3,364	52
Black	1,972	73	1,245	46
Hispanic	937	76	689	56
Poor by Tenure				
Renters	5,081	81	3,547	56
Unsubsidized Renters	3,522	93	2,779	74
Homeowners	2,818	69	1,750	43
Renters by Income				
Less Than $15,000	9,667	76	5,552	44
$15K-$30K (Moderate Income)	3,397	32	345	3
$30K-$60K	404	6	0	0
$60K-$100K	0	0	0	0
$100K or More (Affluent)	0	0	0	0
Owners by Income				
Less Than $15,000	5121	47	2,588	24
$15K-$30K (Moderate Income)	2,591	19	537	4
$30K-$60K	1917	10	191	1
$60K-$100K	234	3	0	0
$100K or More (Affluent)	0	0	0	0
Poor by Geography				
Metro Total	5,970	80	4,198	56
Central City	3,511	81	2,410	55
Suburb	2,459	80	1,788	58
Nonmetro	1,930	65	1,100	37
Northeast	1,522	85	1,168	65
Midwest	1,976	78	1,277	51
South	2,391	69	1,813	42
West	1,403	81	1,039	60
Elderly				
All Elderly Renters	2,590	60	1,233	29
All Elderly Homeowners	3,170	22	1,268	9
Poor Elderly	2,257	68	1,342	41
Poor Non-Elderly	5,644	79	3,956	56

Table X

Deficient and Overcrowded Housing, 1989

	Deficient Units (In Thousands)	Deficient Units (Percentage)	Overcrowded Units (In Thousands)	Overcrowded Units (Percentage)
Poor Households				
All	2,223	18%	983	8%
White	982	13	336	4
Black	921	29	286	9
Hispanic	320	23	361	26
Non-Poor Households				
All	5,380	7	1,693	2
White	3,832	6	906	<1
Black	972	13	244	3
Hispanic	576	12	543	11
Tenure				
Poor Renters	1,448	19	751	10
Non-Poor Renters	2,583	10	971	4
Poor Homeowners	776	16	231	5
Non-Poor Homeowners	2,796	5	724	1
Metro/Nonmetro - Poor				
Metro Total	1,448	17	766	9
Central City	958	19	473	9
Suburb	490	13	293	8
Nonmetro	776	22	217	6
Elderly				
Poor Elderly	597	16	38	1
Poor Non-Elderly	1,626	19	945	11

Table XI
Characteristics of Poor Households, 1989

	Numbers of Households (In Thousands)	Percentage of Poor in Each Category		Numbers of Households (In Thousands)	Percentage of Poor in Each Category
Total	12,403	100%			
Race/Ethnicity			**Renters in**		
White (non-Hispanic)	7,499	61	**Subsidized Housing**		
Black (non-Hispanic)	3,116	25	Federal	2,248	30%
Hispanic	1,386	11	State/Local/Other	467	6
Other	522	4	Total	2,715	36
Tenure			**Household Composition**		
Homeowners	4,920	40	**Renters**		
Renters	7,483	60	Single	2,573	34
			Married/Male Head	1,900	25
			Female Head	3,010	40
Metro/Nonmetro			**Household Composition**		
Metro	8,796	71	**Homeowners**		
Central City	5,039	41	Single	1,896	39
Suburb	3,757	30	Married/Male Head	2,178	44
Nonmetro	3,607	29	Female Head	846	17

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